

RULES FOR DISTRIBUTION OF NET INCOME FROM COMMERCIALISATION AT NMBU

Laid down by	The Board of the Norwegian University of Life Sciences
In effect from	12/06/2014. Last amended 11/09/2017

Background

- The rules apply for the inventions that NMBU acquires according to the Act respecting the right to employees' inventions.
- The rules also apply for other work results for which NMBU acquires the right to commercial exploitation.
- The rules apply to all employees at NMBU.
- The rules also apply to students who voluntarily choose to assign rights to NMBU.

Net income

The payment obligation only occurs once the commercial exploitation of the invention provides net income. Net income is defined as: income less direct costs. Income from commercial exploitation of inventions is usually triggered by sales of licences, sales of patents, sales of shares or as share dividends.

Direct costs related to commercial utilization of a work result include expenditure accrued at NMBU or Ard Innovation, in a private limited company based on the invention, or by other business partners.

The net income is the revenue stemming from the innovation, and that directly relates to the utilization of the rights to the innovation, deducted for documented expenditures that NMBU or Ard Innovation AS has in connection with legal protection of the innovation, as well as necessary costs in connection with the commercialization of the innovation. Costs of maintenance and protection of the rights to the innovation, after the innovation is commercialized, shall also be deducted from the revenues before the distribution of net income. If NMBU has documented expenses related to legal protection of the innovation or necessary costs related to commercialization of the innovation, these shall be incorporated into the project accounts on a running basis, and are refunded before distribution of the innovation's net income.

In the event that the employee(s) themselves have received the right to exploit the invention or the work result that has a commercial value, an agreement should be established between NMBU and the employee(s) on how to calculate and document the income and costs.

Distribution of net income after NMBU has taken over the rights to commercial exploitation from the innovator(s)

When NMBU acquires the rights to inventions or relevant work results, and undertakes to exploit the invention or work result commercially, net income is distributed as follows:

Net income for distribution	Innovator(s)	NMBU Faculty	NMBU Central Office
The first NOK 100,000	100% ***	0	0
Thereafter	1/3	1/3*	1/3**

*) The Faculty with which the innovator is associated normally allocates a specific part to the academic environment in which the innovator works, in the form of research grants via the lowest administrative level (base unit) above the innovator. 25% of the first NOK 10 million in net accumulated income is allocated to such a research grant. For income above NOK 10 million, 10% is allocated for research appropriation, up to a total amount of NOK 50 million to the base unit. The relevant faculty or base unit is granted an 8% share of the first NOK 10 million net accumulated income, to cover its own innovation work. Income above these limits is freely administered by NMBU, according to instructions from the Board.

***) Is used to support commercialization and entrepreneurship activity at NMBU. The funds can also be used to purchase shares, or to establish a fund to encourage commercialisation at NMBU. The funds are administered by Ard Innovation AS, unless otherwise agreed.

****) Employers' contributions for payment to the employee(s) is deducted from the faculty's share. For payments below NOK 100,000 employers' contributions are deducted from the payment to the innovator(s).

Principles for income distribution related to shares

If a business is established that is based on the technology of a commercialisation project originating from work results at NMBU, the price of the technology is negotiated in shares and is offset against other investment in the company, NMBU's contribution, the contribution of external consultants, the entrepreneur's contribution after registration of the idea etc., NMBU, or whoever is authorised by NMBU to negotiate with the innovator(s) on behalf of NMBU. The share distribution is determined by the pricing of the various elements in the negotiations. The shares that are payment for the transfer of the idea/technology itself shall be distributed according to the same principle as cash, in a special agreement for each project. The innovator/employee has the shares transferred to it directly, whereas Ard Innovation AS administrates NMBU's shares until the exit, whereupon the base unit is granted its income.

Distribution of net income when NMBU has granted the rights to commercial exploitation of the inventions of the innovator/inventor(s)

If income is accrued on projects to which NMBU has rights, but has not claimed the rights of the invention transferred to NMBU and the innovator/inventor exploits the invention commercially, then 15% of the net income goes to NMBU or Ard Innovation AS, unless otherwise specified in agreements entered into by NMBU or Ard Innovation AS. 15% of the net income also goes to NMBU or Ard Innovation AS in cases where Ard Innovation returns the exploitation rights to the innovator/inventor, unless otherwise specified in agreements entered into by NMBU or Ard Innovation AS.

Distribution in the event of a breach of the notification requirement

If the innovator/employee neglects its duty to notify its work results to NMBU, and instead exploits them itself or via others, then NMBU and Ard Innovation AS shall be entitled to 2/3 of the net income that is created directly or indirectly from commercial exploitation of the work result.