UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

AMERICAN TRANSPARENCY, d/b/a OpenTheBooks.com, Plaintiff, v. U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, Defendant.	)	Civil Action No.1:21-02821 (APM)

PLAINTIFF'S SUPPLEMENTAL BRIEF

Plaintiff American Transparency, d/b/a/ OpenTheBooks.com, by counsel, respectfully submits this supplemental brief concerning Defendant U.S. Department of Health and Human Services' withholding of "Inventor Awards" amounts.[1]

I. Introduction.

The March 10, 2026 evidentiary hearing conclusively resolved the question the Court raised in its September 30, 2025 Memorandum Opinion: whether disclosing Inventor Awards paid by NIH to its employees as compensation for patents they develop during their federal employment can be used to back calculate royalty amounts paid to NIH by licensees of the patents. The answer is plainly no. First, Defendant's witnesses failed to establish that back calculation is possible for any of the withheld Inventor Awards.[2] Cross examination made clear that the agency's witnesses offered only grossly simplified hypotheticals, not actual royalty

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[1] Plaintiff incorporates by reference the evidence and arguments presented in its earlier submissions. This brief is intended to supplement, not replace, them.

[2] Plaintiff disputes that "back calculation" is even a correct legal standard under Exemption 4. *See* pp. 7-12, *infra.*

amounts back calculated from actual Inventor Awards paid to real NIH employees and withheld from Plaintiff. These hypotheticals were devoid of the many variables—known only to NIH and perhaps the relevant licensee—required to back calculate a royalty amount, if such a back calculation is even possible. And despite offering only greatly simplified hypotheticals, NIH's licensing expert, Dr. Tara Kirby, could not get her math right. Second, NIH's witnesses made clear for the first time that, upon receiving a royalty amount, the agency analyzes several variables, then makes a series of calculations to determine the amount due to an employee. That amount—which is the only information Plaintiff seeks—represents the outcome of NIH's analysis and calculations. It does not repeat or summarize the amount of the royalty payment. NIH's analysis and calculations materially transform the royalty amount, making an Inventor Award the agency's own information, not a licensee's information. Accordingly, Defendant has failed to prove that Exemptions 3 and 4 apply. The Court should order Defendant to lift its redactions of the Inventor Awards.

II. Defendant Failed To Prove That Royalty Amounts Can Be Back Calculated From Inventor Awards.

A. NIH presented simplified hypotheticals, not actual instances of back calculation.

The evidentiary hearing was Defendant's opportunity to prove that Inventor Awards could be used to back calculate royalty amounts. Of the 59,000 instances in which NIH redacted Inventor Awards (Tr. 6:6-7), it did not back calculate a royalty payment from a single award. Instead, it offered on direct examination what appeared to be actual examples from 1985—before the time period of Plaintiff's request—involving four employees, "Inventors A, B, C, and D," and a licensee, "Biotech, Inc." Def's Exh. 4, p. 3. It became clear on cross examination, however, that the examples were not real instances of Inventor Awards and a royalty amount paid

by "Biotech, Inc.," but only hypotheticals. Dr. Kirby testified on cross examination that she "made up" the numbers. Tr. 50:12-13. "This is a hypothetical. It can be any number that we choose," she testified. Tr. 51:24-25. She also testified that the numbers were "all arbitrary numbers that [she] selected." Tr. 53:2-3. Because it was only a hypothetical based on arbitrary numbers, Dr. Kirby did not have a real-life royalty amount against which to check her work. Tr. 51:20-52:2. And, of course, she got her math wrong, which she did not admit until cross examination: "So, obviously, I made an error there. . . . I should have either changed the total payout amount to make it correct or reduced the total royalties for each individual inventor so it agreed with the 600,000." Tr. 52:19-53:1. At most, Dr. Kirby's testimony showed that a simple formula without variables or unknowns can generate an output, not that a real-life royalty payment can be back calculated from actual Inventor Awards.

Finally, Dr. Kirby acknowledged that she cannot say how often back-calculation is possible. Tr. 46:11-13. When asked if she was "disputing that there are various variables that, in some instances, may make it difficult or hard to—or maybe impossible to back-calculate[,]" Dr. Kirby answered, "No, I don't dispute that at all. I mean, there may be, I can't say myself for sure, because I am not an expert, but I'm sure there are things that would be very hard to calculate, especially, you know, if you don't have all the information on the report." Tr. 91:3-10. Of course, the only entity with that information is NIH.

B. NIH's hypotheticals are not representative of NIH license agreements.

Additionally, Defendant's hypotheticals do not reflect the inherently unique, complex nature of NIH license agreements. They depend on assumptions that are contradicted by the record and would need to hold true simultaneously for accurate back calculation to have any chance of success. As Plaintiff's witness, Amber Todoroff, testified, the hypotheticals failed to

describe a single real Inventor Award or royalty amount accurately. Tr. 117:17; *see generally* Tr. 107:22-126:3. NIH's hypotheticals—and numbers—don't describe anything real.

Defendant's first hypothetical assumes that Inventors A through D do not receive distributions from any other license. Tr. 44:12-18. But it is far more likely that the inventors receive royalties from more than one license. Tr. 119:2-5. Dr. Kirby herself acknowledged that only approximately 42 percent of inventors during the 2010–2020 period received royalties from a single license. Tr. 54:12-18. A "significant percentage" of NIH inventors receive royalties from more than one license. Tr. 44:25-46:10, 118:16-119:5. And when an inventor receives distributions from multiple licenses, even Dr. Kirby conceded it is "certainly possible that you might not be able to calculate [the royalty amount paid by the licensee to NIH]." Tr. 46:2-10.

The hypothetical also assumes only one deposit per company per reporting period. In many instances, the timing of payment does not identify the royalty type—initial license issue royalty, first minimum annual royalty, minimum annual royalty, earned royalties, benchmark royalties, sublicensing royalties, etc.—with certainty. *See*, *e.g.* ECF 27-2 at p. 45 of 143 (NIH Model Patent License Agreement). A licensee can pay any of these different types of royalties within a single reporting period and may include a late payment or a payment under a settlement agreement for unclaimed royalties. Tr. 53:12-18. Payments like the first minimum annual royalty and the license issue payment might be paid on the same day as both are due within 60 days of execution under NIH's model agreement. Tr. 55:2-6. In addition, under an agreement those two payments can be the same amount, clearly undercutting any effort to identify the payment type. Tr. 55:18-56:20; Plf's Exh. 12 at p. 19. Agreements may also include late payment charges of one percent, adding yet another variable. Tr. 59:13-60:17. Because NIH "only pay[s] on money actually received," a late payment or missed payment will either inflate

or deflate the amount of payment for certain distributions, affecting the ability to back calculate from data in numerous distributions. Tr. 16:9. Although Dr. Kirby suggested that one percent may not be substantial, one percent of $100,000,000 is $1,000,000.

Defendant's second hypothetical is especially implausible, suggesting that the licensee sells all of its products under a single license. It is far more likely that companies sell a range of products under multiple licenses from NIH and non-NIH entities. Tr. 119:6-120:9. For example, Abbott—"one of the big royalty payors and licensees"—offers hundreds of products, from Pedialyte to heart monitors, that cannot plausibly be covered by a single NIH license or by NIH licenses alone. Tr. 120:20-23. In addition, the NIH–Kyverna license agreements highlight how atypical Defendant's hypotheticals are. Two NIH licenses cover two different Kyverna products, and one of those products is additionally covered by a license from a private company worth $7.2 million. Plf's Exh. 13 at pp. 99, 106; Tr. 124:20-22. For a product utilizing two NIH licenses, a royalty amount based on net sales cannot be back-calculated for each license because sales figures are based on product sales. Compounding this, Kyverna split its $3.3 million NIH license issue fee, paying 50 percent in July 2021 and the remaining 50 percent in May 2022, nearly a year later. Plf's Exh. 13 at p. 99; Tr. 123:8-10. Without disclosure of the total payment or its schedule, the public could not know that an Inventor Award in one year reflected only half of a payment made the prior year. Todoroff confirmed these agreements are "quite different" from the scenarios Defendant presented. Tr. 125:1.

C. NIH's hypotheticals ignore the complexity of calculating the Inventor Award after a royalty is received.

As Dr. Kirby testified, calculating the Inventor Award "can be very complicated. There's lots of steps," and she could only provide a "high-level overview." Tr. 73:13-14. The process is not as simple as receiving a royalty payment from a licensee, plugging the amount into the

inventor formula, and distributing a calculated amount to each NIH inventor. Money from the licensee's total payment minus any unknown patent costs is distributed in an order of operations that varies from license to license, further defeating the ability to use the formula to back-calculate with reasonable certainty. The same is true for inter-institutional agreement partners, who receive distributions off the top of royalty payment before any Inventor Award is calculated. Tr. 74:11-16, Tr. 112:7-23.[3] The existence of non-agency inventors who receive payments also thwarts back calculation. Tr. 24:21-23, Tr. 67:7-13, Tr. 67:24-68:6 (if a non-agency inventor has not assigned its rights to the NIH, how the royalty payments are calculated will depend upon the negotiated terms of an agreement between the non-agency inventor and NIH), 74:11-23.

NIH's productions to Plaintiff also include 597 instances in which an NIH institute or center is listed as an "Inventor." Tr. 116:25–117:11; Todoroff Supp. Decl. ¶ 4. Without knowing these payment amounts, one cannot reliably back calculate the total paid by a licensee. Tr. 110:17–111:14. There are also some 2,099 instances of redacted recipients listed under the "Inventor" column. Todoroff Supp. Decl. ¶ 5. As NIH has not identified to whom the payments were made or how they were calculated, they represent yet another unknown variable. *Id*. NIH also is silent about when and how it distributes royalty payments to non-inventor employees, which are expressly authorized by the statute but not accounted for in the Inventor Awards formula. *See* 15 U.S.C. § 3710c(a)(1)(A)(ii); Tr. 111:15-112:6.

All these distribution issues are compounded by the statutorily imposed $150,000 annual cap on the amount an individual employee-inventor may receive. The $150,000 annual cap is per inventor across all licenses. Tr. 17:15-20. Once an inventor reaches the annual cap, NIH

[3] A detailed chart of royalty distributions to inter-institutional agreement partners, NIH Institutes and Centers, and inventors is found on pp. 11-12, *infra*.

redistributes any funds over this amount to co-inventors; if the co-inventors have also reached the cap, the remainder goes to the NIH institute or center. Tr. 18:1–4. This redistribution distorts distributions, preventing reliable back-calculation for that license and any subsequent distributions for another license that would, if not for the cap, include the annually capped inventor. Tr. 115:25–116:12. Of course, none of these unknowns and variable were accounted for in Dr. Kirby's hypotheticals.

D. NIH's acknowledged errors also undermine back calculation.

Back calculation is further undermined by errors NIH commits in the distribution process. The productions contain numerous asterisks and plus signs—asterisks indicating adjustments to fix prior errors, and plus signs denoting manual adjustments of awards already paid to inventors. *See*, *e.g.*, Todoroff Supp. Decl., Exh. 2 at NIH-001194. The nature and impact of these errors, including on variables like the $150,000 annual cap, are unknown. Although Dr. Kirby described such errors as "relatively rare" (Tr. 83:18–21), the data tells a vastly different story. In one sample of 164 lines of data, there are 95 adjustments (79 plus signs, 16 asterisks). Todoroff Supp. Decl., Exh. 1. In another sample of 432 lines of data, there are 345 adjustments (337 plus signs, 8 asterisks). *Id.* at Exh. 2.

III. Back Calculation Is Not The Standard.

The concept of back calculation itself is erroneous. It was first used by Dr. Kirby in her summary judgment declaration. ECF 32-4 at ¶ 17. Plaintiff disputed it factually, but it also is incorrect legally. "Back calculate" appears nowhere in the text of Exemption 4, and Defendant cites no case standing for the proposition that Exemption 4 authorizes withholding responsive information that can be used to back calculate other information provided by a third party. The

case law uses various terms, including "incorporates" and "extrapolates" when addressing Exemption 4, but the holdings of those cases are nothing like the facts here.

At issue in *Flyers Rights Education Fund, Inc. v. Federal Aviation Administration*, were proprietary technical data and proprietary compliance methods Boeing provided to FAA as part of the recertification of 737 MAX jet after two fatal crashes. 71 F.4th 1051, 1058 (D.C. Cir. 2023).[4] There was no back calculation of anything. Similarly, at issue in *Gulf & Western Industries, Inc. v. United States* were a defense contractor's actual costs for units produced, actual scrap rates, break-even point calculations, and other actual costs data. 615 F.2d 527, 529-30 & n.6 (D.C. Cir. 1979). The data had been provided by the contractor to the government, which was reproduced in a government audit. *Id.* Nothing needed to be back calculated. At issue in *Judicial Watch, Inc. v. Export-Import Bank* was an insurance application of an exporter seeking federal export insurance. 108 F. Supp. 2d 19, 28-29 (D.D.C. 2000). The application contained information about the applicant's financial status and export plans. *Id.* Again, no back calculation was implicated.

In *Fisher v. Renegotiation Board*, the Court held that an agency's calculation of excess profits—derived from contractor data but arrived at through the agency's "own accounting analysis"—was "information from the Government and, therefore, not exempt." 355 F. Supp. 1171, 1174 (D.D.C. 1973). Likewise in *Philadelphia Newspapers, Inc. v. U.S. Department of*

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[4] The D.C. Circuit's opinion in *Flyers Rights Educ. Fund, Inc.* is short on details about the records and information at issue. The District Court decision is more thorough. It describes the records as containing "highly detailed technical information about Boeing products" and "information about the 'methods by which Boeing designs and tests its products in order to obtain [FAA] certification, along with the logic and techniques Boeing uses to demonstrate compliance." *Flyers Rights Educ. Fund, Inc. v. Fed. Aviation Admin*, No. 19-3749, 2021 U.S. Dist. LEXIS 175977, *8 (D.D.C. Sept. 16, 2021). This information appears to have been included in "charts created through collaboration by Boeing and [the] FAA." *Id.* at *15.

Health and Human Services, the Court held that statistical analyses derived from a clinic's raw billing data were not "obtained from a person" because auditors had performed their own analysis of the data—and "the analysis was prepared by the government." 69 F. Supp. 2d 63, 67 (D.D.C. 1999).

And the same court that decided *Export-Import Bank* also decided *Southern Alliance for Clean Energy v. U.S. Department of Energy*, 853 F. Supp. 2d 60 (D.D.C. 2012). The Court in *Southern Alliance for Clean Energy* noted that "the key distinction . . . is between information that is either repeated verbatim or slightly modified by the agency, and information that is substantially reformulated by the agency, such that it is no longer a 'person's information but the agency's information. The latter type is not shielded by Exemption 4." *Southern Alliance for Clean Energy*, 853 F. Supp. 2d at 68. "Repeated verbatim or slightly modified" is a far cry from the type of back calculation NIH is asserting here.

IV. Inventor Awards Are Compensation Substantially Reformulated From Royalty Payments.

A. Inventor Awards are compensation paid to federal employees.

Dr. Kirby testified in no uncertain terms that Inventor Awards are "compensation NIH scientists receive for their work" in developing inventions. Tr. 65:21-66:18. She also testified that licensees have no input into determining how much compensation an inventor receives. Tr. 66:17-18. Additionally, when asked to confirm that an Inventor Award is "not a negotiated term," Dr. Kirby responded, "No. I've never been aware of that. I would be very surprised to see something like that, and I've looked at many, many licenses." Tr. 66:20-23. Licensees have no control over the formula NIH applies to calculate Inventor Awards, the caps NIH applies to them, or the decisions NIH makes about distributing them. They do not set, negotiate, or approve Inventor Awards.

Compensation paid by the federal government to an employee is plainly very different from a trade secret or privileged or confidential commercial or financial information obtained from a person outside government. Defendant identifies no case holding that a federal employee's compensation can be withheld under Exemptions 4 even if some type of reverse engineering of information provided by a third party were possible. *Public Citizen Health Research Group v. National Institutes of Health*, 209 F. Supp. 2d 37 (D.D.C. 2002) made no such holding, nor did *Flyers Rights Education Fund*, *supra*, *Gulf & Western Industries*, *supra*, or any of the other authorities cited by the parties or the Court in this case.

B. NIH substantially reformulates royalty amounts when determining Inventor Awards.

Inventor Awards fall squarely within the category of information "substantially reformulated by the agency." *Southern Alliance for Clean Energy*, 853 F. Supp. 2d at 68. That NIH's analysis and calculations materially transform the royalty amounts only became clear during the evidentiary hearing. Dr. Kirby testified that calculation of Inventor Awards "can be very complicated" with "lots of steps," and offered only a "high-level overview." Tr. 73:13-14. That overview revealed at least seven discrete agency actions.[5]

First, when NIH receives a royalty payment from a licensee, it verifies that the payment is attributable to a term in the relevant license, then confirms that the amount is accurate. Tr. 73:15-17. If the payment does not match, NIH contacts the licensee to clarify. Tr. 77:5-8.

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[5] Other unknown inputs and variables may be included in Public Health Service Technology Transfer Policy Manual Chapter 700. According to Dr. Kirby, the procedures set forth in this manual are used to calculate distributions of royalty payments. Tr. 81:15-82:23. While the policy chapters of the manual are public, the procedures are not. Tr. 82:15-23. The existence of these additional, undisclosed procedures potentially introduces even more unknown variables and inputs that the public does not know and cannot account for in any back calculation.

Second, NIH compiles a monthly report of all royalty income received and reviews the license documentation for each payment to identify which institutes and centers are involved, which inventors are associated with the relevant technologies, and whether any inter-institutional agreement partners hold claims to portions of the proceeds. Tr. 73:18-25. Third, the information is manually populated into NIH's Office of Financial Management system. Tr. 73:25.

Fourth, inter-institutional agreement partner distributions are calculated and paid. Tr. 74:11-16. These types of payments are made off the top of the royalty amount before any payment to an inventor. Tr. 74:11-13. Significantly, these initial payments are substantial, as shown in the NIH's data published on its website:[6]

Royalty Distributions			
Fiscal Year	**Inter-Institutional Agreement Partners**	**NIH Institutes and Centers**	**NIH Employee Inventors**
2010	$10,296,880.00	$72,524,543.00	$8,433,068.00
2011	$14,335,639.00	$74,423,519.00	$8,054,759.00
2012	$18,045,122.33	$92,676,078.41	$9,079,748.13
2013	$20,910,070.11	$85,323,511.31	$9,225,777.89
2014	$26,176,154.00	$100,754,611.00	$9,291,323.00
2015	$25,634,884.51	$107,567,784.00	$11,565,991.48
2016	$25,889,785.94	$100,507,187.80	$9,269,496.85
2017	$23,568,841.99	$126,261,934.20	$7,646,373.11
2018	$22,764,204.82	$76,882,330.20	$9,001,490.36
2019	$16,993,315.68	$51,051,047.89	$8,067,437.27

[6] The following chart copies the data points on the NIH's line graph of Royalty Distribution, available at https://www.techtransfer.nih.gov/metrics/royalty-distribution, and the Court may take judicial notice of it. *Cannon v. District of Columbia*, 717 F.3d 200, 205 n.2 (D.C. Cir. 2013) (taking judicial notice of facts available on government website).

2020	$6,002,463.31	$45,508,260.54	$8,898,663.13
2021	$2,429,785.64	$108,379,482.58	$11,141,874.91
2022	$322,431,762.97	$361,080,962.72	$13,292,104.60
2023	$361,638,572.23	$261,047,939.80	$12,245,521.90
2024	$65,270,205.01	$122,110,165.43	$15,872,703.85

NIH's Inventor Awards calculations occur only after a significant percentage of the royalty payments are directed elsewhere.

Fifth, the OFM system applies NIH's statutory formula to calculate the gross distribution among inventors: the first $2,000 of applicable royalties; then 15 percent of the next $48,000; then 25 percent of any amount above $50,000. Tr. 75:14-15 and 17:1-5.

Sixth, NIH checks whether any inventor has already reached the $150,000 annual cap. Tr. 75:16-23. If an inventor has reached the maximum, excess funds are redistributed to co-inventors or to the relevant institute or center if the co-inventors have also reached the $150,000 annual cap. *Id*.

Seventh, the resulting Inventor Award figures are verified twice a year by three separate agency offices—OFM, the Office of Technology Transfer, and the relevant institute or center—before any payment is made to employees. Tr. 76:4-12.

Plainly, Inventor Awards represents a substantial reformulation of licensees' royalty payments. The determination of these awards is the product of NIH's independent, multi-step process. The awards are light years from verbatim repetition of licensee payments and cannot be described as slight modifications, summaries, or analyses of licensee payments. They are a wholesale reformulation of licensee payments akin to the raw contractor data in *Fisher* or the billing data in *Philadelphia Newspapers*. They are not at all like the charts in *Flyers Rights*

Educ. Fund Inc. or the insurance applications in *Export-Import Bank.* Inventor Awards are the unique information of NIH, not licensee information.

IV. Conclusion.

Defendant is unlawfully withholding the Inventor Awards under FOIA Exemptions 3 and 4. The Court should order Defendant to lift its redactions of Inventor Awards and produce the unredacted records promptly.

Dated: May 4, 2026

Respectfully submitted,

/s/ Michael Bekesha

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