November 1, 1978

PATENT BRANCH, OGC
DHEW

NOV 8 1978

Mr. Alan Parker
General Counsel
House Judiciary Committee
2137 Rayburn House Office Building
Washington, D.C. 20515

Dear Alan:

Thanks for giving me the time to discuss the Juvenile Justice and Delinquency Prevention administration program for a National School Resource Network. I look forward to hearing from you or another member of the staff if it appears that we have some justification for further complaint.

As I mentioned to you, Rutgers and Princeton Universities are very supportive of the Small Business Nonprofit Organization Patent Procedures Act that was introduced in the Senate last year. Although Senators Dole and Bayh were the major sponsors, 14 other members of the Senate cosponsored including Senators Williams and Case. Attached are reprints from the Congressional Record, a copy of the bill (S 3496), a background paper and a sectional analysis of the bill. If you and other members of the Judiciary staff agree that it is a worthwhile bill, I hope that you will encourage Mr. Rodino to introduce a similar bill at the beginning of the 96th Congress.

On December 1, 1978 I will be leaving Rutgers to take a position with a company in New York, so future contacts regarding the patent legislation should be with Donald Edwards, Vice President for Administration and Public Affairs at Rutgers (201-932-7741) and Allen Sinisgalli, Associate Director, Office of Research and Project Administration, Princeton University (609-452-3091).

Thank you for the assistance you have given to me and to Rutgers in the past.

Cordially,

WT

William T. Lyons
Director of Federal Relations

WTL:bf

Attachments

cc: Donald Edwards
Allen Sinisgalli

bcc: Newton Cattell
Norman Latker

April 6, 1978

The Honorable William Proxmire
United States Senate
Washington, DC 20510

Dear Senator Proxmire:

I have recently been made aware of important new considerations concerning the management of inventions which are generated by research investigators supported by federally funded agencies such as the National Science Foundation and the National Institutes of Health (NIH). This is of particular importance to me for a variety of reasons. First, I am the holder of a major program-project grant from NIH as well as other federally funded research grants. Secondly, I have been able to generate, over the course of the past 15 years, some 25 U.S. patents and over 80 foreign patents on new active forms of vitamin D which will be used to benefit mankind in treating bone disease. In fact, one of my patents was among those initially negotiated with the NIH and was the forerunner of the current institutional agreement between HEW and the University of Wisconsin.

I understand that some congressional leaders feel that inventions from research investigators supported by federal funds should be in the public domain and be available to all interested parties royalty free. This includes foreign companies as well as U.S. companies. However, U.S. companies would not have the same privilege as regards royalties on inventions in foreign countries. We now enjoy a $4 billion advantage in terms of balance of payments from patent royalties. An important segment of this will be jeopardized if inventions originating from scientists supported by federal funds are eliminated by such a policy change. Our balance of payments are already a serious problem and this change would place our industry at a great disadvantage.

If inventions are held in the public domain, I am confident that very few inventions would be disclosed. What incentive would there be for an inventor to file for patents if they would not benefit him or his institution? Patents are never used as a basis for grant renewal and they are not recognized by the intellectual community as an achievement like regular publications are. If my patents could not be assigned to the Wisconsin Alumni Research Foundation (WARF), I am confident I would not apply for them.

If patents are available to all companies they are not likely to be developed for commercial use. In the pharmaceutical industry, for example, millions of dollars are expended to make a single drug commercially available. No company would routinely invest such money in a drug if their market was not protected at

by patents at least to some extent. Thus the inventions generated by tax support would never reach the taxpayer. This would actually shortchange the taxpayer more than the small royalties which are funneled back into research. Under the present patent policy of HEW and NIH, patents may be filed through a nonprofit organization such as WARF and the royalties returned to the University. Furthermore, the government has royalty-free use of the fully developed inventions and retains march-in rights. The public is fully protected under the present permissive legislation. Please note that WARF has been and is an important supporter of the University of Wisconsin-Madison, contributing $4-5 million annually for research in all fields. These funds come from the patents on inventions such as those now under debate. I do not believe that the Senators would want to jeopardize this important support for the University or deny this excellent support for all fields of intellectual endeavor.

Finally, I would like to pose to you, whom I regard as a great champion of human rights, the question of whether an invention is anyone's property except the person who conceives of it? Is it fair that someone or some agency that provides financial support for an individual to carry out his or her work should thereby own the concepts and ideas generated by the inventor? I believe it is a violation of human rights to usurp these inventions simply because the individual was financially supported to carry out work which he delivered but in addition conceived of inventions. It is my position that these inventions should remain as the property of the inventor and no company or federal agency should be able to demand those inventions which are a spin-off of the investigator doing his required work.

I am sure your concern is that the taxpayer should not be shortchanged. I submit that a policy which would discourage patent application and development in our free enterprise system would be the best way to shortchange the taxpayer who invests in reseach investigators to combat disease or provide important technological advances which will ultimately benefit them. I see no other way to greater benefit the American taxpayer than to protect the inventor, encourage his inventiveness and to encourage companies to develop the inventions so that they will be reduced to practice at the earliest possible time.

I sincerely hope you will give adequate consideration to this important line of reasoning before acting on any legislation which would prohibit institutional agreements with federal agencies regarding patents generated from research grant and contract support. I would like to remind you that the current policy is permissive; that is, a federal agency can enter into institutional agreements for the development of patents but it does not necessarily have to do so. At the very least, I would hope that this situation would be allowed to prevail. I would very much appreciate an opportunity to explain my position to you.

Sincerely yours,

H. F. DeLuca
Professor and Chairman

HFD/bjj

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United States Senate

SELECT COMMITTEE ON SMALL BUSINESS
WASHINGTON, D.C. 20510

April 20, 1978

H. F. DeLuca,
Professor and Chairman
University of Wisconsin-Madison
Department of Biochemistry
420 Henry Mall
Madison, Wisconsin 53706

APR 2 6 1978

Dear Mr. DeLuca:

Thank you for your very thoughtful letter on Institutional Patent Agreements and the study of Government patent policy undertaken by the Monopoly and Anticompetitive Activities Subcommittee of the Senate Select Committee on Small Business.

As you may know, the Office of Management and Budget has granted my request for a stay in the effective date of a procurement regulation which would authorize and encourage Government-wide use of an Institutional Patent Agreement. The stay of 120 days from March 20 will allow the subcommittee to hold hearings on the history, legal basis and implications of the Institutional Patent Agreement as an implement of Government patent policy.

I am enclosing a copy of my letter to the administrator of OMB's Office of Federal Procurement Policy requesting the stay. I think you will find that the case I made for staying the regulation does not deny that there are reasons for and advantages to current practice in the allocation of rights to Government-sponsored inventions.

Certainly, the University of Wisconsin has benefited from its Institutional Patent Agreement with the Department of Health, Education and Welfare through your discoveries and the patent management services of the Wisconsin Alumni Research Foundation.

One of the questions to be asked at our forthcoming hearings is the very one you raise about the campus inventor's rights in his own discoveries. You ask whether it is fair "that someone or some agency that provides financial support for an individual to carry out his or her work should thereby own the concepts and ideas generated by the inventor," yet that is standard practice in private industry.

Further, the proposed Government-wide Institutional Patent Agreement would allow an institution to retain "the entire right, title, and interest throughout the world" in a research investigator's invention. I believe that is a greater assumption of rights by the institution than is sanctioned by the standard agreement HEW has been using.

I would welcome an opportunity to discuss these matters with you. Committee staff member Gerald Sturges is preparing for the hearings, and I will have him get in touch with you.

Sincerely,

Gaylord Nelson

GAYLORD NELSON
Chairman

GN/gsy
Encl.

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CHIEF COUNSEL AND STAFF DIRECTOR

MAY 0 8 1978

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

May 3, 1978

Professor H. F. DeLuca
University of Wisconsin-Madison
Department of Biochemistry
420 Henry Mall
Madison, Wisconsin 53706

Dear Professor DeLuca:

Thank you so much for a very fine letter in which you make a number of excellent points regarding Federal patent policy.

Although I do feel that the taxpayer who foots the bill should be the primary beneficiary of the research and development performed with Federal dollars, I agree with you that there must be proper incentives to get the patents marketed and into the public mainstream.

In any event, you raise some important issues that will receive my careful consideration. I am unaware of any legislative efforts at this time to alter the present patent policy criteria among Federal agencies, but I would welcome any additional information you might have regarding Federal patent policy and specifically, its effect on non-profit organizations and the universities.

It was good of you to share your thoughts with me in this regard.

Sincerely,

William Proxmire

William Proxmire, Chairman
HUD-Independent Agencies
Subcommittee
Senate Appropriations Committee

WP:rmk