WISCONSIN ALUMNI RESEARCH FOUNDATION

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February 27, 1980 263-2831

Mr. Harry Peterson
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Dear Harry:

Attached you will find a copy of the "Dear Colleague" letter which Senator Long recently sent out relative to S. 414. As I told you, Long is still dealing in rhetoric and there is little factual basis to support the title-in-government policy. Nor are we aware that any of the people he references, including Admiral Rickover, has had any real experience with the technology transfer process, its complexities or the incentives which must be present to establish and maintain a successful program.

The prime thrust of Senator Long's opposition is based on three prime suppositions: (1) S. 414 is a give-away of government rights; (2) the public interest is not protected; and (3) the Bill would amount to a "pass-through" of inventions to large corporations.

It would probably be advisable to call Senator Nelson to reinforce his co-sponsorship of S. 414 and to write to Senator Proxmire indicating that you have knowledge that S. 414 is now on the floor of the Senate, that it is apparently being opposed by Senator Long, and that you wanted to see if there was anything you could do to help Senator Proxmire's understanding of the Bill and its provisions.

With regard to the specific Long suppositions: (1) On the give-away proposition, we can point to the experience which Senator Nelson had through his hearings on institutional patent agreements and the salutary effect which the incentive of first option to title in the contractor had on the investment of private risk capital in invention development. In those hearings substantial evidence was presented which we believe fully supported that conclusion and, also, evidenced the fact that the universities were not functioning merely as a pass-through for the large corporations.

(2) With regard to protecting the public, S. 414 has appropriate march-in rights, a royalty-free license to the government for governmental purposes and a pay-back provision whereby with successful inventions the government is repaid for its investment in the research.

(3) With regard to the "pass-through" argument, we can point to the march-in rights referred to above which the government does retain and point to the other provisions of the Dole-Bayh Bill requiring performance by the licensee in terms of developing the invention and in limiting the exclusivity of any license. In no event has there been any evidence of a pass-through of a large number of inventions to a single corporate entity from a single or multiplicity of universities. On the contrary, there is ample evidence that no single corporate entity is interested in all of the inventions from a university even in a limited field, witness the concentration on different types of products by different companies in the pharmaceutical field as an example.

Without S. 414, and with government taking title to inventions, there is indeed a pass-through but it is to foreign corporations and countries without compensation of any kind. This has been a factor in putting the U. S. in the economic bind in which it finds itself as reflected in or as a result of the apparent decreasing innovation in the U. S.

Another factor is of course that as far as the university is concerned in almost no instance is an invention made totally with federal support. There is always a contribution by the university and the investigator as well as perhaps other funding sources.

As applied to the university sector the commentary about bottling up information is also a fallacy. The average pendency of a patent application is currently not three and one-half years but more like 20-22 months and, since, as a matter of policy universities will seldom if ever accept restrictions on publication of university research results and, therefore, inventions, the argument that filing the patent application bottles up information is facetious.

The argument about acquisition of small business by large businesses merely because they hold an exclusive license under or title to a patent is speculative

indeed. There are many factors such as economics of scale, distribution, purchasing power which favor the large business enterprise and which in part have led to their not being included within the scope of S. 414. It is true that because of the expense of litigation the large corporation could apply the "deep pocket" approach and litigate but even large corporations do not do this lightly. The issued patent still is however a deterrent.

To a certain extent Long is right in that S. 414 should not be considered a patent bill. Perhaps it should be considered an economic's bill - the presumption being that government research dollars are made available with the expectation not only of developing basic knowledge but also that funded research will lead to products, processes and techniques which will be useful to improve the well-being of our society in general. The primary consideration is really not who should have title to the intellectual property which is generated in whole or in part with government funds, but, in whose hands will the vestiture of primary rights to an invention serve to transfer the inventive technology most quickly to the public for its use and benefit. We think that the Nelson hearings on the institutional patent agreements and other supportive evidence clearly supports the proposition that vestiture in the government will not timely accomplish these ends.

Sorry to go on at such length Harry but I did want to cover most of the arguments Long is making. I am also attaching a copy of a letter which Bob Brennan recently sent to Senator Nelson responsive to our request and a copy of a list of all of the current co-sponsors of S. 414.

Very truly yours,

Howard

Howard W. Bremer
Patent Counsel

HWB:rw
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P. S. I have just heard that Senator Nelson wondered why universities were interested in the legislation when they had the institutional patent agreements already. The answer to this is that the legislation will provide a certainty which the institutional patent agreements do not provide. Our

experience was that when Califano was Secretary of DHEW he and people with him were actively trying to do away with the institutional patent agreements and move back toward the title or deferred determination policy. Legislation would prevent the vacillation on policy which could occur every time one of the Government Agencies gets a new Secretary.

H. W. B.