12/5/80

Mr. Leroy Randall
Acting Chief
Department of Health and
Human Services
Washington, D.C. 20201

Dear Mr. Randall:

This letter is to be considered responsive to the inquiry received from Dr. Charles U. Lowe, Chairman of the Patents Board of the National Institutes of Health, pertaining to the removal of the present limitation in the Institutional Patent Agreement (clause VI. f.) on the share of royalty income institutions can pay to inventors.

It is our considered opinion that the relationship of an inventor to an individual university in respect to the share of royalty income which an inventor can expect to receive from an invention which has been commercialized should solely be a consideration between the inventor and the university. There is little question that the inventor should be afforded the opportunity to some participation in the commercialization of his invention through royalty sharing. By tying such participation to the commercial success of the invention the inventor is given an incentive to participate in the efforts by a licensee to appropriately prepare the invention for the market. The specific share which is equitable will, however, be a function of many other aspects of the relationship between the university and the inventor and will probably therefore differ in the various institutions.

Our experience at Wisconsin has shown that the profit motive is seldom the inventor's motivation for the research effort which may have produced a patentable invention. In this regard one must keep in mind that the primary object of any research is not to produce patentable inventions but to generate new knowledge. In the university environment, inventions are almost always incidental to the research function and one cannot forecast from a given piece of research either whether any inventions will be made or whether, if made, an invention will be commercializable let alone lucrative. If in fact, a patentable invention is recognized during the course of the research, and such invention is developed for use by the public through the auspices of the private sector under a licensing arrangement the public can be considered to have been well served twice - it has not only the new knowledge resulting from the research but also has a new product or process for its beneficial use.

We firmly believe that a major portion of any royalty income received from university inventions should become available for the continuing support of education and research pursuits at the university. In most cases the investigator, in bringing his invention to the attention of the university, has expressed his interest in aiding the university in such fashion.

We are aware that the limitation imposed by the Institutional Patent Agreement on the inventor's share has been a burden to some schools in their attempts to commercialize inventions. The limitation appears to have been, in their experience, a disincentive to maintaining an inventor's continuing interest in his invention and, therefore, a disincentive to the transfer of the technology.

Although we have not found this to be the case at the University of Wisconsin, we believe that the removal of such a limitation from the Insitutional Patent Agreement will provide additional incentive for the inventor to participate in efforts to transfer the results of basic research to the market for the benefit of the public. We, therefore, strongly urge its removal. Furthermore, the removal of another regulatory inhibition will place the determination of the inventor-university relationship where we believe it should properly reside, namely, between the inventor and his university.

Very truly yours,

Robert O'Neil
President