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EXIT 48 E

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March 6, 1979

Senator Edward M. Kennedy
Chairman, Committee on the Judiciary
United States Senate
Washington, D. C. 20510

Dear Senator Kennedy:

Senator Bayh wrote to me as a member of the Subcommittee on Patent and Information Policy of the Advisory Committee on Industrial Innovation for support of the Small Business Patent Procedures Act introduced by him, Senator Dole and Congressman Rodino on February 9, 1979. As one who has spent most of his adult life involved with innovation in small businesses and universities, I strongly support this bill.

A graphic example of why this bill is needed is the situation involving American Science and Engineering, Inc. (AS&E). AS&E conceived a significantly better computer tomography (CT) scanner for use in noninvasively diagnosing various illnesses. Thereafter, NIH entered into a contract with AS&E under which AS&E built a working model of the invention. Under the contract AS&E assigned the U. S. patent rights to the Secretary of HEW who has discretion to grant an exclusive license to a person willing to invest the capital and make the effort to bring the invention to the point of commercial application. AS&E petitioned for an exclusive license, and in January 1977 the Assistant Secretary for Health granted AS&E an exclusive license for five years. Relying on this grant AS&E made a major commitment in personnel, effort and capital to commercialize this invention and later that year delivered commercial units.

A much larger competitor complained, and the Assistant Secretary refused to deliver the license until after objectors had an opportunity to express their views following notice in the Federal Register and the license was reduced from five to three years following a meeting with HEW officials, Greg O'Meara, Esq. from Speaker O'Neill's office and Ms. Susan Riley from your office. About a month later, without any warning whatsoever, Assistant Secretary for Health Richmond, who had just been confirmed, wrote a letter to AS&E purporting to revoke the exclusive license.

AS&E then conferred with HEW representatives with the understanding that HEW had an open mind about reconsidering the revocation

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of the limited exclusive license. In fact, HEW was hurriedly granting nonexclusive licenses to the large manufacturers of CT scanners. AS&E brought suit, and Chief Judge Caffrey preliminarily enjoined the Secretary from granting the nonexclusive licenses. However, this decision was overturned on appeal, and AS&E was restricted to seeking recovery in the Court of Claims for money damages. As a result of this inability to obtain an exclusive license AS&E discontinued manufacturing CT scanners and turned over production to Pfizer Medical Systems, a large corporation in the medical field. Prior to these traumatic events AS&E was a profitable growing small business. Since that traumatic experience AS&E has regularly reported losses. These unfortunate and unjust events would not have occurred if the bill introduced by Senator Bayh, Senator Dole and Congressman Rodino had been the law.

I know from my own experience how important it is to small businesses and universities to retain commercial rights in inventions they make. Without exclusive rights it is difficult for a small businessman to make the investment in time, effort and money to bring an invention to the point where it is applied in a practical manner to benefit the public. Royalties derived from commercial use of inventions made by universities make a significant contribution to meeting the tight budgets facing universities in these times of increasing costs and difficulties in maintaining revenues. I was reminded of this impact when I attended the induction of Professor Jay Forrester of MIT into the Inventor's Hall of Fame for his invention of the coincident core memory which was largely responsible for the initial explosive growth of the computer industry and generated millions of dollars in royalties for helping MIT meet the demands for excellent young people highly trained in both technical and nontechnical fields. I hope that you will join in the bipartisan support of this bill.

I strongly endorse your efforts in seeking highly qualified persons for appointment to the federal bench. Your appointments have been excellent and conform with the commendable policy of President Carter to increase the representation on the bench of underrepresented groups while maintaining high caliber. I hope that future selections will include technically qualified lawyers who can help expedite the just disposition of the many cases now in the federal courts which require the understanding of complex technical matters. In this connection I endorse the suggestion of Mr. Shapiro that the federal courts adopt a policy of assigning judges with special expertise to complex cases where that expertise will help expedite a just resolution of the case.

I hope that you will continue exercising your leadership toward achieving much-needed reform in the criminal laws. With

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Congressman Drinan leading the effort in the House, this may well be the session in which this legislation passes.

I enclose a copy of "Small Business" for February/March 1979. The reasoning of Jack Rabinow set forth in the article on pages 7-9 strongly supports adoption of the University and Small Business Patent Procedures Act.

With kind regards, I am,

Very respectfully,



Charles Hieken

CH/ck

Enc. - Copy of SMALL BUSINESS