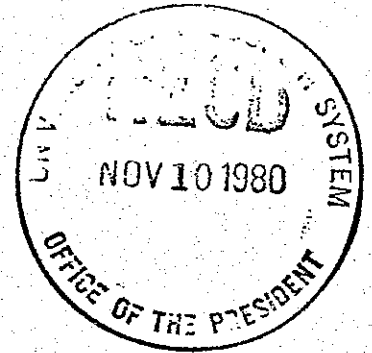


DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PUBLIC HEALTH SERVICE  
NATIONAL INSTITUTES OF HEALTH  
BETHESDA, MARYLAND 20205

November 6, 1980



*To [unclear]*

Dr. Robert O'Neil  
President  
The University of Wisconsin  
Madison, Wisconsin 53707

Dear Dr. O'Neil:

As the holder of an Institutional Patent Agreement (IPA) with this Department, I am writing to obtain information of importance to the National Institutes of Health. Requests have been made that we remove the limitation presently in the IPA (Clause VI-f) on the royalty income institutions can pay to inventors. Your counsel on this matter is solicited.

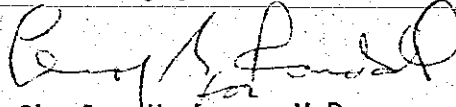
It has traditionally been the position of this Department that the purpose of these agreements is to strengthen the institutions we support by providing that the major portion of any royalty income received from inventions made with use of our funds be available for the support of educational and research pursuits at the institution. In line with these thoughts, we have maintained a limitation on the amounts we allow institutions to pay individual inventors. Concern has been expressed that differing royalty scales at various institutions could result in a bidding situation between grantee institutions for those researchers who appear to be working in areas which may result in lucrative inventions. A consideration of the balance between your need to recruit and retain competent faculty, your requirements for funds for research and development, and our obligation to the public regarding the stewardship of inventions developed with public funds, led us to the original limitation, which we have maintained.

We are soliciting your opinion on this question at this time and hope to benefit from your experience with this matter. We wish to know whether the removal of the limitation on the inventors' share of royalty income will offer advantages to your institution or whether you wish to propose any alternative solution. If the present system is not appropriate, is there another royalty system you would recommend?

Page 2 - Dr. Robert O'Neil

I would appreciate it if you would send your comments and advice to Mr. Leroy B. Randall, Acting Chief, Patent Branch, Office of the General Counsel, Department of Health and Human Services, Westwood Building, Room 5A03, Bethesda, Maryland 20205. They will receive careful consideration by the Patent Board of the National Institutes of Health. If we do not hear from you by December 10, 1980, we will assume that you find the present policy acceptable.

Sincerely yours,



Charles U. Lowe, M.D.  
Chairman, Patents Board  
National Institutes of Health