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Vice President for Research  
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November 10, 1978

Dr. Richard C. Atkinson, Director  
National Science Foundation  
Washington, D.C. 20550

Dear Dr. Atkinson:

The purpose of this letter is to expand on the concept of an institutional grant system for universities based on a recognition of invention royalty income which I proposed at the recent IMURA meeting in Salt Lake City. All government agencies are under considerable pressure at the present time to encourage the technology transfer of the results of research funded by them. At the same time, universities find themselves without a viable institutional grant program. The reasons an institutional, stability grant, or whatever it may be called, are important to the administration of a university research program have been stated many times before. This critical need of universities can, in fact, be met by royalty income from patents and inventions.

Most universities have patent policies which provide for a division of royalties to the inventor and to the university for the general support of research. The institutional patent agreements of both NSF and HEW provide for such a division and use of royalty income. If universities could, or would, increase their royalty income those funds might well constitute the "institutional grant" type monies and undergird the research program.

Technology transfer is recognized by most universities as a desirable adjunct to their basic functions of education and research. Most have reasonable patent policies and preempt title to inventions developed with university funds, or where permitted, by sponsor agreements. Some universities have strong, active licensing programs and for those that do not, invention brokers such as the Research Corporation of New York are readily available. When inventions are identified the universities are able to bring them to the market place by one means or another. The difficulty lies in identifying a useful or patentable invention. A corporation specializing in one discipline or one area of technology has a relatively easy task in identifying an invention compared to a university with a research program in many disciplines and many areas of technology. What is needed is an incentive and recognition program to encourage the university scientist to identify and to bring to the university administration's attention a possible new invention.

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I would like to propose that the National Science Foundation establish, on a trial basis, a matching grant program for universities based on licensed invention income. The program could have the following basic features:

- 1) Grant an annual basic award (i.e. \$10,000) for an acceptable patent and invention policy.
- 2) Develop a formula to match license income up to a maximum (i.e. \$100,000).
- 3) Base the grant on license income only and exclude grants or contracts with licensees for development work.
- 4) License income may include both--patented and unpatented, but licensed, inventions.
- 5) Require that the invention result from research be conducted at the university, but include income from the invention paid to university related foundations or institutes that may manage a particular university's inventions (i.e. WARF, Wisconsin Alumni Research Foundation or CSURF, Colorado State University Research Foundation).
- 6) Do not restrict the use of the NSF matching funds except to support research. Let the universities manage the funds to stimulate invention disclosure.
- 7) Do not permit any portion of NSF funds to be paid to the inventor as a division of royalty. It should be clear that NSF matching funds are not royalty income but institutional research support funds granted in recognition of technology transfer.

The foregoing are suggestions only. I am certain that the NSF staff will evolve a final proposal more acceptable to congressional mandates, OMB constraints, and the overall mission of NSF. This concept has been discussed with some of my colleagues at the recent Licensing Executives Society annual meeting and a copy of this letter will be sent to the trustees of the Society of University Patent Administrators. Both of these organizations would be willing to advise NSF on the concept if it should be desired.

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Finally, let me express my own appreciation and that of my fellow university research administrators for attending our meeting in Salt Lake City last week. We sincerely appreciated the opportunity to discuss with you some of the problems and programs of the National Science Foundation.

Sincerely,



George G. Olson  
Vice President for Research

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cc: Neils J. Reimers, President  
Licensing Executives Society

✓ Cynthia J. Hanson  
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