

September 28, 1973

263-2831

Professor William H. Young
University of Wisconsin
322 North Hall
Madison, Wisconsin 53706

Dear Bill:

I thought you might be interested in looking over the enclosed copy of the proposed NSF Institutional Agreement. We have suggested some changes in this Agreement which are not basically substantive but which we think would improve it in terms of clarifying some of its provisions. It is our understanding that Wisconsin's application for an Institutional Agreement has been accepted and it is just a matter of reaching agreement on the precise language. We do not anticipate any real problems with NSF.

Best regards.

Very truly yours,

Howard W. Bremer
Patent Counsel

HWB:rw
Enc.

bc--Rosten & Woerpel

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IPA SUPPORTING INFORMATION

An Institution desiring an Institutional Patent Agreement should supply the following:

1. General information concerning your institution, including:

- (a) Place and Articles of Incorporation;
- (b) The institution's purpose and aims;
- (c) Source of funds.

2. A copy of your institution's formal patent policy, together with the date and manner of its adoption.

3. Name, title, address, and telephone number of institutional official responsible for administration of patent and invention matters and a description of staffing in this area. Also identify any other institutional offices, institutes, etc., which also contribute to your institution's patent management capabilities.

4. A description of your institution's procedures for identifying and reporting inventions.

5. A copy of the form of agreement required to be signed by faculty and other employees of the institution engaged in research, indicating their obligation in regard to inventions made at your institution.

6. A copy of the invention report form or outline utilized for preparation of invention reports at your institution.

7. Advice as to whether your institution has a formal agreement with any patent management organizations, such as Research Corporation, Battelle Development Corporation, or other organizations. A copy of any agreement in effect should be enclosed.

8. A description of the efforts which the institution would expect to make in bringing to the marketplace inventions to which it retains title.

9. A general description of the institution's past patent and invention licensing activities, including the following:

(a) Number of patents obtained during each of the past ten years;

(b) Number of exclusive licenses issued during each of the past ten years;

(c) Number of nonexclusive licenses issued during each of the past ten years;

(d) Gross royalty income during each of the past ten years;

(e) A general description of royalties charged, including minimum and maximum royalty rates.

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10. A list of subsidiary or affiliate institutions, hospitals, etc., which would be covered by an agreement signed by your institution.

11. If your institution is a subsidiary or affiliate of another organization, state name and describe relationship.

12. The amount of Government support currently being administered by your institution, giving agency breakdown.

13. Do you have an Institutional Patent Agreement with DHEW or any other Government agency? / If so, please supply a copy of the Agreement and any annual or other periodic reports describing activities under the Agreement which were submitted to the Agency within the last three years. /

14. If not set forth elsewhere, state your policy as to sharing of royalties with faculty and other employees.

15. Describe the uses made of any net income generated by your patent management program.



*for NSF Inst. Agree.
7/6/73
Copy given to Dentry*

8.

The University of Wisconsin does not itself engage in the evaluation and subsequent patenting and licensing of inventions and has no staff for doing so. Consequently, it has and maintains a close relationship with the Wisconsin Alumni Research Foundation (WARF), a corporation not-for-private-profit organized and existing under the laws of the State of Wisconsin, which engages in the evaluation, patenting and licensing of inventions which are voluntarily brought to it, and has in fact for many years provided the avenue for evaluating, patenting and licensing inventions originating with University of Wisconsin personnel for the benefit of the University and the public.

Also, neither the University nor WARF is in a position or willing to undertake a comprehensive process or product development program to bring inventions to the stage of utilization, nor does either organization have the marketing capability to distribute products for the public benefit. Hence, and particularly since most inventions made at the University tend to be embryonic or basic in nature, both the University and WARF seek arrangements which will permit working with one or more commercial firms willing and able to undertake the necessary invention development programs and to market the resulting products.

Pursuant to any such arrangement which permits assignment of inventions made at the University of Wisconsin with the expenditure of National Science Foundation funds to WARF, WARF will proceed with the following course of action subject to the following restrictions in its administration of any inventions so assigned:

- a. It will, if deemed necessary, conduct a patentability search relative to an invention submitted for evaluation to determine if, in its judgement, patentable subject matter is present in the invention and if the nature of the patent presumably obtainable would lend itself to a viable licensing program;
- b. It will arrange to file appropriate patent applications in the U. S. Patent Office and in such countries foreign to the U. S. as seems appropriate in the circumstance of each invention and will provide National Science Foundation with all pertinent filing information and copies of the United States applications and any patents maturing from any of such applications.
- c. It will, upon receipt of the principal rights to the subject inventions, grant to the government a nonexclusive irrevocable royalty-free license for governmental purposes. This license will assure the right of the Government of the United States to practise and have practised the inventions

(made or have made, used or have used, sold or have sold) throughout the world by or on behalf of the Government of the United States; and such inventions will be available for use without royalties on behalf of either any foreign government or any international entity pursuant to any existing or future treaty agreement with the United States.

- d. All sales to the government made by any licensee of WARF of any products involving the subject inventions will be royalty-free.
- e. WARF will initially pursue negotiations with commercial manufacturers in an endeavour to persuade them to undertake the necessary product development work on subject inventions. WARF proposes that if it is necessary to secure the development work, a license should be exclusive for an initial period of not more than five years from the first commercial sale of products made under license by the licensee.
- f. In the event WARF is successful in securing a licensee which will undertake the development of the subject inventions on an exclusive basis as set forth above, WARF will at the end of the exclusive period of any license

negotiated with such licensee make nonexclusive licenses available for use of the subject inventions to competent and properly qualified companies. Except that, if at the end of such exclusive period the exclusive licensee has been unable to recoup the investment he has made in the invention licensed, or it it appears that additional incentive is necessary to maintain such licensees' active and continuing development and/or marketing efforts, upon a proper showing of the pertinent circumstances WARF may extend such initial exclusive period for an additional three (3) year period.

- g. In the event WARF is unable within a period of 5 years from the date of issue of United States Patents covering the subject inventions to complete negotiations of one or more license agreements, or development and license arrangements whereby the inventions are to be brought to the point of practical application, WARF will upon request of National Science Foundation assign such patents to the Government of the United States, as represented by National Science Foundation, without reimbursement to WARF, or in the alternative, at the request of National Science Foundation abandon or dedicate said patents to the public.
- h. That, as a reward, the inventor or inventors in aggregate will be paid an amount not to exceed 15% of the net royalties

or remuneration received by WARF for the use of the inventions.

- i. All net royalty income received by WARF from the subject inventions, after deduction from gross royalties of the inventor's share and WARF's reasonable expenses incurred in connection with the administration, patenting, licensing, development and introduction into use of such inventions will be turned over to the University of Wisconsin for scientific investigation and research.
- j. WARF agrees to provide written reports at reasonable intervals, when requested by National Science Foundation on the commercial use that is being made or is intended to be made of subject inventions.
- k. It is understood and WARF agrees that National Science Foundation shall have the right to require the granting of a license to an applicant royalty-free or on terms that are reasonable in the circumstances to the extent that the inventions are required for public use by governmental regulations or as may be necessary to fulfill health needs, after a hearing and finding that such a public health need exists and that WARF and the University will co-operate to achieve the government's purposes.

1. WARF agrees that copies of all executed license agreements will be made available to the National Science Foundation on request.

ø. (a)

Number of Patents Issued January 1, 1963 - December 31, 1972

1963	17
1964	10
1965	8
1966	10
1967	4
1968	4
1969	4
1970	1
1971	11
1972	13

9. (b) & (c)

Licenses Granted January 1, 1963 - December 31, 1972

<u>Year</u>	<u>Exclusive</u>	<u>Nonexclusive</u>	<u>U. S. Government</u>
1963	2	9	2
1964	-	7	4
1965	1	7	-
1966	-	1	-
1967	-	5	5
1968	2	3	3
1969	-	-	2
1970	-	1	4
1971	2	3	8
1972	-	4	10

9. (d)

Gross Royalty Income January 1, 1963 - December 31, 1972

1963	\$417,753
1964	\$446,259
1965	\$322,587
1966	\$392,999
1967	\$399,333
1968	\$488,493
1969	\$454,502
1970	\$457,448
1971	\$475,758
1972	\$552,627

9. (e)

Royalties charged are in all cases arrived at through negotiation with a potential licensee and hence are reasonable and commensurate with those considered normal in the industry in which the particular invention finds application. Volume performance is generally reflected in de-escalating royalty schedules.

In establishing appropriate rates, including de-escalation or escalation of rates, every attempt is made to take into account the contribution which it appears a potential licensee will have to make to develop the particular invention or a market for it and the incentive which such potential licensee may need to engage in and complete such development.

In WARF's past experience royalty rates have varied from a maximum of 31% to a minimum of a fraction of 1%.

The 31% rate was applied to a product concentrate which was diluted with about twenty (20) times its own weight of other ingredients to make a product for the ultimate consumer. The 31% royalty rate at the concentrate level averaged from 1-1/2% to 2-1/2% at the consumer level depending upon the actual sales price of the product to the consumer.

The lowest royalty charged was and is calculated, on a de-escalating schedule, at one and one-half (~~cents~~ 1/2¢) per pound of a product having a sales value at the consumer level of from about \$40 to \$50 per pound. This translates to a royalty rate of about 0.03% to about 0.037% per pound of the selling price at the consumer level.