WISCONSIN ALUMNI RESEARCH FOUNDATION

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The Honorable William Proxmire
United States Senate
5241 Dirksen Office Building
Washington, D.C. 20510

Dear Senator Proxmire:

We are again writing to ask your support of the Senate Bill S. 414 entitled "University and Small Business Patent Procedures Act."

We realize that this type of legislation lends itself to emotionally generated and simplistic statements of opposition but which, in our many years of experience in the transfer of technology, have no real basis in fact. Being aware of the recent "Dear Colleague" letter which was circulated by Senator Long in opposition to S. 414 we felt that it was incumbent to write to you at some length in support of S. 414.

At the outset you should know that the Wisconsin Alumni Research Foundation (WARF) is a not-for-private profit corporation whose primary thrust is to generate funds for the support of research at the University of Wisconsin. WARF has and still does function as the patent management arm of the University. Since its inception in 1925, WARF's contributions to the University have been approximately $100,000,000 the administration of which has been wholly in the University's hands and without direction or restriction by WARF. Although royalties generated from licensing of patents originating with University inventors supplied a substantial amount of monies, by far the bulk of the $100,000,000 contribution came from sources other than patent royalties.

The University, WARF and the university community in general strongly endorse and support S. 414 and its treatment of the distribution of proprietary rights in inventions resulting from research and development activities supported and funded in whole or in part by Agencies of the Federal Government.

Fundamental to the position of the university community in its support of S. 414 are certain strong beliefs which have been amply enforced by the experience of many years in the transfer of technology from the university sector to the ultimate benefit of the public. Among these beliefs are the following:

1. that the patent system, imperfect though it may be, is the key to the conversion of scientific knowledge into production benefitting human welfare;

2. that, as stated by Chief Judge Markey of the CCPA, no institution has done so much for so many with so little public and judicial understanding as has the American patent system;

3. that the basic consideration in the disposition of intellectual property rights should not be whether the Government or the contractor should take title to such property when it is generated in whole or in part with Government funding but, in whose hands will the vestiture of primary rights to invention serve to transfer the inventive technology most quickly to the public for its use and benefit;

4. that the absence of a uniform government patent policy has been a serious disincentive to successful technology transfer from the university to the public and has, in fact, often deprived the public of the fruits of basic research;

5. that the absence of a uniform government patent policy which reflects and supports our system of free enterprise has helped to put the U.S. at peril in the world economic scene;

6. that science has over the years been made increasingly subservient to politics, with decisions being made not on scientific facts but on political opportunity;

7. that the talent of invention must be given the maximum encouragement by providing the inventor and the process of technology transfer all necessary stimuli to inventive and innovation activity in a free enterprise environment;

8. that the less restrictive a Government patent policy is, the greater is the transfer of technology under the policy; and

9. that a uniform Government patent policy under which the contractor has the first option to acquire title to inventions made in whole or in part with Government funds will provide the maximum stimulus to invention and innovation and will be in the public interest.

A critical reading of the "Dear Colleague" letter circulated by Senator Long indicates to us that the opposers of S. 414 have again made the same simplistic arguments that have been extant against this type of legislation for the past 30 years. The prime thrust of the opposition has always been and continues to be that this type of legislation is a "give-away" of government rights.

This approach, though appealing politically as indicating a protection of the public interest, is not supportable by any facts. Whereas, and contrary to the statements of John H. Shenefield which are quoted by Senator Long, there is solid factual basis that when title resides in the contractor commercialization of invention is most likely to occur. It has been estimated by a 1968 study conducted by Harbridge House that contractor held inventions were 10.7 times as likely as government held inventions to be utilized in products or processes employed in the private sector for the benefit of the public.

In further strong support of the provisions of S. 414 calling for leaving title in the contractor we direct your attention to the evidence which was presented in June of 1978 at the hearings conducted by Senator Nelson before The Monopoly and Anticompetitive Activities Subcommittee Senate Small Business Committee. In some respects S. 414 can be considered to be tantamount to a codification of the Institutional Patent Agreements which exist between certain universities and the Department of Health, Education, and Welfare and the National Science Foundation.

In the experience at Wisconsin prior to the effective date of the Institutional Patent Agreement with the Department of Health, Education, and Welfare (December 1, 1968) no inventions made at the University of Wisconsin with Department of Health, Education, and Welfare funds had been licensed to

industry. Since the effective date of the Institutional Patent Agreement and through June 1979 approximately 69 invention disclosures have been made under the Institutional Patent Agreement, 79 patent applications have been filed on 55 of those disclosures and 55 U. S. patents have issued.

More pertinent to the "give-away" charge, under those patents a total of 20 licenses were issued, 14 of which are still extant, and under which four new products have been marketed with the strong promise of yet other products to be introduced after significant development work by licensees has been completed. Three of the products now in the market show significant promise for alleviating human suffering on a wide scale.

In our opinion there is indeed a "give-away" when the government takes title to inventions - it is to foreign corporations and countries without compensation of any kind. This "give-away" has been a factor in putting the United States in its current economic bind since a great deal of technology generated in this country has been used by foreign companies and countries to overwhelm the United States in the marketplace. It is interesting that the Russians and Japanese seem to have been over the years among the best customers of the National Technical Information Service. Upon critical analysis, and with the apparent severe decrease in innovation occurring in the United States, our country now responds to the definition of an underdeveloped country, which is one that exports raw materials to maintain its balance of payments while it imports finished goods to maintain its standard of living. There is little doubt that we are exporting our cotton, timber, grain, coal and other raw materials to pay for manufactured goods of all sorts from foreign sources.

It is our candid observation that of all of the witnesses to which Senator Long refers in his letter there is no one, including Admiral Rickover, who has had any real experience with the technology transfer process as it must be practiced by the universities, the complexities of such a process, or the incentives which must be supplied to engage the private sector in developing inventions for the benefit of the public. In this regard there is a distinct line which must be drawn between a procurement type of contract, which are the cost-plus type of contracts referred to by Senator Long, and which in our view were likely the only kinds of contracts to which Admiral Rickover

was exposed and not the type of arrangements made with universities where an end product was not the intended result of the contract but rather the generation and accumulation of scientific knowledge was the prime purpose.

Under the provisions of S. 414 the public is adequately protected by the "march-in" provisions which reside in the Federal Government, by the royalty-free license to the Government to use any of the inventions generated for governmental purposes and by the recognition of Government support through the pay-back provisions. In addition, the current antitrust laws are always available to an aggrieved party if abuse would occur in an antitrust sense.

With further regard to the contractural relationships between the government and the university, almost never is an invention generated totally with Federal funds. In almost every case there is a contribution by the university from other funds at its disposal and through the university providing the climate and facilities in which basic research can be most readily carried out.

Insofar as the universities are concerned that information is bottled up by the contractor taking title is pure fallacy. The average pendency of a patent application today is not 3-1/2 years but more like 20-22 months. Moreover since, as a matter of policy, universities will almost never accept restrictions on the publication of university research results and, therefore on the disclosure of inventions, the argument that filing the patent application bottles up information is without support. There is a greater danger that publication will be delayed because of the competition for space in the various technical journals.

The argument about acquisition of small business by large businesses merely because they hold an exclusive license under or title to a patent is speculative indeed. There are many factors such as economics of scale, distribution, purchasing power which favor the large business enterprise and which in part have led to their not being included within the scope of S. 414. It is true that because of the expense of litigation the large corporation could apply the "deep pocket" approach and litigate but even large corporations do not do this lightly. The issued patent is however still a deterrent.

To a certain extent Senator Long is right in that S. 414 should not be considered a patent bill. Perhaps it should be considered an economic's bill - the presumption being that government research dollars are made available with the expectation not only of developing basic knowledge but also that funded research will lead to products, processes and techniques which

will be useful to improve the well-being of our society in general. The primary consideration is really not who should have title to the intellectual property which is generated in whole or in part with government funds, but, in whose hands will the vestiture of primary rights to an invention serve to transfer the inventive technology most quickly to the public for its use and benefit. We think that the Nelson hearings on the Institutional Patent Agreements and other supportive evidence clearly supports the proposition that vestiture in the government will not timely accomplish these ends.

In view of the foregoing commentary we submit that S. 414 is sorely needed at this time if the Administration is serious about supplying innovation incentives. We urge you to both lend your support and co-sponsorship to this important piece of legislation.

Very truly yours,

Howard W Bremer

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Patent Counsel

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