DRAFT (aec) for JCW
July 12, 1976

To each Wisconsin Congressman and Senator:

If it is important for our country to seek new forms of energy development, and if it is important for the results of that development to reach the general population of the United States as soon as possible, then it is most urgent that Congress take a very close look at two sections of the proposed H.R. 12112.

We in the University of Wisconsin System are concerned that Sections 18(g)(4) and 18(r) of that bill "to provide additional assistance to the ERDA for the advancement of non-nuclear energy research, development, and demonstration," will severely limit the participation of both inventors and the private business sector in the development of any new and creative aspects of this energy search. ~~Adequate~~ funding ~~may be unavailable~~ -- thus ~~killing the project~~ defeating the commercial intent.

A new proposition, never before included in Government dealing with citizens, is promulgated in 18(r): that for the simple act of guaranteeing loans, the government can take over patents involved both directly and tangentially to the project in question -- whether or not there is default on the loans. The effects of this policy would be reflected in a reluctance on the part of interested industries to contribute to such projects, as well as a disinclination on the part of inventors to become involved in any kind of research or development that might in a future time be funded partially by a government-guaranteed loan.

Section 18(r) would function in a manner which is out of keeping with standard commercial practices. For example, it might be likened to a farmer borrowing money to buy additional land for farm purposes from a lending institution, and having that loan guaranteed, perhaps by a personal friend -- and then having that friend, as guarantor, require that title to all crops produced on that land be passed to him.

We respectfully urge that Section 18(r) be amended so that in cases where no default has occurred and no guaranteed payment made, the title to inventions (made or conceived in the course of or under a federal guarantee) be left with the demonstration project contractor.

Under the wording of Section 18(g)(4), the following situation may arise right on our UW-Madison campus:

The UW, through WARF, has a number of issued patents and pending applications relating to the cryogenic energy storage system proposed by Roger Boom and several others in the engineering school. These inventions are directed to certain structural and other devices which may be essential to the emplacement of the central storage magnet for the system and to methods for obtaining efficient energy input to that system and energy output from that system. (The concept of the total system we do not believe is basically patentable.) All of these patent and patent applications were based upon investigation made without the expenditure of any federal funding, and hence no existing obligation to the U. S. Government exists on any of them.

In addition, the UW, through WARF, also owns an invention relating to a support structure which it appears would lend itself well to the static support of a cryogenic installation where one encounters an interface between a cold structure and a ~~hot~~ (ambient temperature) structure. This invention, too, was made without any federal support.

Through WARF, the University licenses such inventions to industry, and it is conceivable that any one or more of these inventions may be licensed to an entity for incorporation into the building of a demonstration unit ~~directed to cryogenic energy storage which utilizes a magnet as the storage mechanism~~. Such licensing, ~~in addition to~~ transferring the technology from the University into actual use would, ~~of course~~, contain royalty or other payment provisions. Those payments would benefit the University by supplying income which would be returned to the University to support additional research efforts in a wide variety of fields.

In the event of a default by the demonstration facility ~~building~~ under the provisions of Section 18(g)(4), all of the inventions, as well as technology and any other proprietary rights utilized would be considered project assets, and, as a result, all such patents, technology, and other proprietary rights would be available to any person selected to complete and operate the demonstration facility. However, there is no specific provision for the government or its designee to assume the obligations under the license, including ~~any~~ royalty or other payments. ~~contractually agreed to by the initial demonstration facility contractor~~. Moreover, there is no specific limitation to the application of such inventions to a single demonstration facility -- the reference to "defaulting project" in this Section is capable of a much broader interpretation.

In the absence of specific provisions in Section 18(g)(4) to specifically recognize a limitation to the use of the inventions to a single demonstration facility and existing obligations to a licensor, it would be questionable in this example cited as to whether such inventions should or would be licensed to a potential demonstration facility contractor -- with the risks imposed by the present wording of Section 18(g)(4).

We respectfully urge that Section 18(g)(4) treat only those patents owned by the borrowing contractor (or waived to it) as project assets; and, further, that the wording recognize specifically and assume all obligations of the borrowing contractor to a licensor.

Sincerely,

JCW