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April 20, 1982

The Honorable Robert Kastenmeier
Chairman, House Subcommittee on Courts,
Civil Liberties and the Administration of
Justice

Room 2137
Rayburn House Office Building
Washington, DC 20515

Dear Congressman Kastenmeier:

On October 7, I had the privilege of presenting my opinions as testimony on the Patent Term Restoration Act, HR 1937. I have now seen the amendments which your Committee has adopted for this legislation.

Obviously, I, as a representative of a university owner of patents, am not pleased at the change on page 2, line 24, making the "recipient of marketing approval" the beneficiary of the patent extension provided by the Bill. While you may dismiss this opinion as a predictable knee-jerk reaction, I wish to apprise you of certain results of the change which I feel you may have overlooked or failed to understand.

You and the committee should be aware that the companies who take license to inventions that will require regulatory approval prior to marketing the products, are well aware of both the costs involved and the time commitment. The licensee uses this factor during the negotiation to secure favorable royalty rates. Thus the owner of the patent, whom you apparently feared would enjoy a windfall of profits at the expense of his licensee's investment in regulatory approval, has, in fact already made his contribution through the lower royalty rates he was forced to accept at the time of licensing.

On the face of it, the change is reasonable. He who paid for the sowing should reap the harvest. If that is not biblical, it should be. Remember, however that most universities are licensing patents entrusted to them by the recently enacted legislation, PL-96-517. That Bill restricts the

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extent of exclusivity which the licensor can provide to five years from first commercial sale or eight years from date of the exclusive license. It is not difficult to believe, therefore, that a licensee which had, under exclusive license, obtained the marketing approval from a Federal Regulatory Agency and thus 'earned' an extension of the patent term, will, in fact, become an exclusive licensee once again. What is to happen to those companies, which, after the expiration of the initial exclusive period, sought and received a non-exclusive license under the same patent and secured regulatory approvals. Can the first company put the others out of business?

Leaving "the owner of record" in the Bill would not produce this problem. We understand that there was some fear that the Bill, as drafted, would be too beneficial to foreign owners of U. S. patents. That 'problem' can be handled through the use of the adjective, domestic.

I hope this position will make you amenable to return to the 'owner of record' language of the original draft, and that the House of Representatives will, with your help, pass HR 1937 in that form.

Respectfully,

Marvin D. Woerpel
Director of Licensing

MDW:mh

cc: Members of the House Subcommittee on Courts,
Civil Liberties and the Administration of Justice

bc: Pike, Hinkes, Bremer, Fetzner