

RESEARCH CORPORATION

405 LEXINGTON AVENUE

NEW YORK 17

S. BLAKE YATES

VICE PRESIDENT

PATENT DEVELOPMENT DIVISION

January 30, 1959

Mr. Ward Ross
Managing Director
Wisconsin Alumni Research Foundation
P.O. Box 2217
505 N. Walnut St.
Madison 5, Wisconsin

Dear Ward:

It was certainly good to see you and Bill Hendrickson in New York yesterday and I was glad to learn that you are receptive to the proposed symposium on patents in New York the latter part of September or the first part of October.

I am enclosing herewith a copy of a memorandum that Bill Hinkley wrote on June 8, 1953 on his discussion with Mr. Allen and Mrs. Parent of the Public Health Service concerning the disposition of the patent rights to inventions resulting from Public Health Service grants to educational institutions. I am also enclosing a copy of a letter of September 17, 1953 that Mr. Deutsch, who was associated with us at that time, wrote to Ray Woodrow at Princeton in answer to some questions that the Public Health Service raised when Princeton asked the Public Health Service to approve Princeton's patent policy to the extent that Princeton or its assignee would have the right to retain title to all patentable inventions resulting from Public Health Service grants. Princeton obtained this approval and I am under the impression that a rather large number of other universities has obtained such approval from the Public Health Service. In all instances the Government receives a non-exclusive, royalty-free license. I am also enclosing herewith a copy of "Invention and Patent Policies Acceptable to the Public Health Service".

It seems to me that the crux of your problem with the Public Health Service is the fact that the University of Wisconsin does not have a patent policy that contemplates that all inventions made at the University will be assigned to the University or its assignee. I would guess that the Public Health

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Service would be reluctant to relinquish title to patents resulting from its grants unless the patents were assigned to a university or some other organization that had a licensing policy that would be acceptable to the Public Health Service.

I know you will use discretion in referring to us and Princeton University in your further negotiations with the Public Health Service. I hope that this information will be helpful to you and I also hope that you will feel free to drop us a line if you feel we can give you any further information that would be helpful.

Sincerely yours,

S. Blake Yates

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INVENTION AND PATENT POLICIES ACCEPTABLE
TO THE PUBLIC HEALTH SERVICE

The policy of the Department of Health, Education, and Welfare on Inventions Resulting from Research Grants, Fellowship Awards, and other Research Arrangements, recognizes the cooperative nature of research aided by Public Health Service grants-in-aid. For this reason it offers alternative conditions with respect to the handling of patentable inventions which may arise out of activities assisted by the grant. Either the Surgeon General of the Public Health Service may reserve the right to determine the ownership of the invention and its disposition or such inventions may be administered by the grantee-institution in accordance with its own patent policies and procedures, provided the Surgeon General accepts these as assuring that the invention either will be dedicated to the public or, if patented, will be made available without unreasonable restrictions or excessive royalties.

Policies and procedures outlined below are types which may give such assurance. Institutions which may not as yet have formulated a policy with respect to inventions developed from research financed in part with public funds may find this outline of some assistance in the formulation of their own procedures.

A. Dedication to the public of results of research either by publication or patenting with subsequent dedication of the patents.

The Surgeon General will accept this policy in any case where it is demonstrated that the grantee-institution has a responsible body or official to see that the policy is effectuated.

As stated in the Department Regulations on grantee inventions, dedication to the public in general seems most appropriate for inventions developed with the assistance of public moneys. Many institutions, particularly insofar as inventions related to health are concerned, also adhere to this principle.

B. Patenting with royalty-free licensing.

A general policy of issuing royalty-free, unconditional and nonexclusive licenses under patents obtained is equally acceptable. In administering such a policy there may be times when in the judgment of the institution the interests of the public in a particular patent will be best served by (1) conditional licensing, providing standards as to the quality of the product or the qualifications of the manufacturer, or (2) restricted licensing for a limited period to assure the development of the invention to the point of utility and satisfactory quality. Decision as to the necessity for either such arrangement would be that of the grantee-institution, but prior to accepting the institution policy the Public Health Service would require general assurance that under the institution policy exclusive licenses would be the exception, not the rule and that they would be for a limited period only. In the case of institutions which do issue exclusive licenses, the Public Health Service would further require full information as to the basis on which such licenses are issued and the safeguards utilized to protect the public interest.

C. Patenting with licensing on a royalty basis.

Licensing as provided in B which provides for royalties in some or even all cases will also be considered acceptable policy. In such case the royalty

rates must however be reasonable and a royalty-free license to the Government with power to sublicense for all governmental purposes will be required in all cases.

The Public Health Service realizes that there are conditions at certain institutions which in the estimation of the institution make royalties desirable, if not mandatory, in order to provide reimbursement of the funds spent to secure patents, incentive awards to the inventor, and support of research. When this policy is adopted it is the view of the Service that the royalty charged should not in any case exceed the rate acknowledged as normal trade practice, and that lower rates are more appropriate for licenses issued by public institutions.

The Service believes that profits realized from these royalties should be applied to teaching and research functions except for proportionate costs of administration of institution patent business. In view of the purposes for which Public Health Service grants-in-aid funds are appropriated, it would be preferable from the Service's point of view that any profits from royalties be used to support additional research. Any policy which makes the inventor the primary recipient of royalties would not be acceptable.

D. Assignment of ownership rights to a qualified organization.

The Service will not object to policies which provide for the assigning of patent rights to a reputable organization, when the agreement between the institution and that organization gives assurance that administration of the patents will be within the limits indicated above.

GENERAL REQUIREMENTS

Before accepting the policies of an institution, the Service would like assurance that they have been formally adopted by appropriate institution officials; that an administrative body has been established, or some responsible official has been designated, to carry out the program; and that the institution's history of operation has been consistent with its promulgated policies.

PRINCIPLES OF OWNERSHIP

It is assumed that all institutions wishing to administer inventions arising under Public Health Service grants-in-aid have established principles to determine the equities of the inventor, the institution, and the sponsor therein. A number of institution policies with which the Service is familiar provide that under certain conditions the invention may be left to the inventor. The Service would consider the following criteria as satisfactory to determine the equities of the inventor and the institution. (These are the criteria applied by the Federal Government to inventions made by its employees):

- (a) The institution shall obtain entire right, title and interest in and to all inventions made by any employee (1) during working hours, or (2) with a contribution by the institution of facilities, equipment, materials, funds, or information, or of time or services of other institution employees on official duty, or (3) which bear a direct relation to or are made in consequence of the official duties of the inventor.
- (b) In any case where the contribution of the institution, as measured by any one or more of the criteria set forth in paragraph (a) last above, to the invention is insufficient equitably to justify a requirement of assignment to the institution of the entire right, title and interest to such invention, or in any case where the institution has insufficient interest in an invention to obtain entire right, title and interest therein, the institution may leave title to such invention in the employee, subject, however, to the reservation to the Government of a nonexclusive, irrevocable, royalty-free license in the invention with power to grant licenses for all governmental purposes, such reservation, in the terms thereof, to appear, where practicable, in any patent, domestic or foreign, which may issue on such invention.

REPORTS

A report will be required on all patentable inventions as described in the following discussion of special applications of Department Regulations. In addition to the initial invention report, an annual report, for informational purposes, of the disposition of inventions in which it has an interest is requested. It is not proposed to review the institution's decision as to whether or not patenting is desirable, unless so prescribed by the institution.

September 14, 1955

Explanation of special applications of Department Regulations on Inventions Resulting from Research Grants, Fellowship Awards, and other Research Arrangements

Disposition of inventions: It will be noted in Paragraph 8.1 of Department Regulations that the policy provides that inventions arising under Public Health Service grants-in-aid (and awards) are to be handled (a) by the Surgeon General on a case by case determination, or (b) by the grantee institution in accordance with its established practices and policies, after those