



Wisconsin Alumni Research Foundation

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February 12, 1958

President E. B. Fred
Bascom Hall
University of Wisconsin
Madison, Wisconsin

Dear E. B.:

The attached draft of special report for the Trustees is very rough. It will, however, give you and Connie an idea of our thinking. Neither Ed Rosten nor Bill Hendrickson have read this material which I dictated but they will have done so by the time we meet this afternoon in your office at 3 P. M.

We are going to have to have some help from you and/or Connie in connection with Appendix A to be prepared. We need your help particularly on the cases involving McElvain, Tatem, Adkin and Bacchus-Stouffer.

Very truly yours,

Ward Ross
Managing Director

WR/kr

cc: Dean Elvehjem
Ed Rosten
Bill Hendrickson
Ward Ross
File

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CONFIDENTIAL

Special Report

**REVIEW OF WARF POLICIES
Re: U. W. -WARF Relationships**

Introductory statement

At the November 1, 1957 Trustees' meeting there was presented the rather unusual circumstances surrounding the Calvert - Swanson - Giroux Sterile Concentrated milk invention made in the Dairy department of the University. It will be recalled that it is this invention upon which the University, the inventors and the industrial sponsor of the research work (U. S. Steel) had decided in 1954 to make the results of the sponsored research program "freely available" on a public patent or similar basis. The Foundation's participation in the handling of this invention has therefore been limited to date to the filing of an application for patent on the process, it being the intention to either dedicate that patent to the public upon its issuance or to make licenses thereunder freely available to all at no royalties.

A number of the Trustees appeared to be quite upset by the decisions reached by the University and the inventors with respect to this development especially since those decisions were made with no consultation

whatever with the Foundation. Some of the Trustees appeared to feel that communications between the Foundation and the University might be improved; that perhaps the handling of this Sterile milk invention in the manner in which it has been handled resulted from lack of information about the Foundation's activities in either the University administration or in the Dairy department or both; that the advantages of handling inventions on a private patent basis had perhaps been inadequately explained to the University administration and to the faculty as represented by the Dairy department; and that in view of the foregoing consideration might well be given to some changes in Foundation policies regarding relationships with the administration and with the faculty.

In view of the attitude of certain of the Trustees regarding this matter the management felt that it would be valuable at this time to review some of the policies of the Foundation followed rigidly since its inception; to examine carefully the results of those policies; and to present this background information to the Trustees so that they may consider if they wish what, if any, policy changes should be made at the present time.

Past policies and reasons for these policies.

This subject should be considered from two standpoints, namely
a) policies with respect to relations between the Foundation and the faculty

(the inventor and potential inventor group) and b) policies of the Foundation with respect to the University administration.

STATE - Faculty Relationships.

Since the organization of the Foundation some 42 1/2 years ago it has at all times been a carefully followed policy of the Foundation, Trustees and management to avoid any course of conduct which could in any way interfere with freedom of action by individual faculty members. This policy has in effect been extension of the basic policy at the University of Wisconsin that freedom of action on the part of the faculty is of paramount importance at all times. The Foundation has merely applied this policy in respect to the matter of inventions and discoveries made by faculty members and their students.

In accordance with this basic and fundamental policy both the Foundation and the University have at all times maintained that a faculty, student or staff member who makes an invention is under no compulsion to assign that invention to the Foundation. From the standpoint of the University it has been a long established policy that if a faculty, student or staff member makes an invention notwithstanding that the invention is made working on University time and with University facilities, that invention belongs to the inventor and in no respects the property of or owned by the University. This philosophy has at all times been followed, the sole exception thereto having been where an outside sponsor of

research work such as a governmental agency requires that inventions made in such research program be either assigned to the government or licensed to the government on a royalty free basis. In the case of such sponsored research and only in that case has the University interfered with the freedom of action on the part of the inventor to dispose of his invention as he sees fit.

By the same token the Foundation has at all times carefully avoided doing anything or taking any action that could be interpreted as exercising compulsion on an inventor to assign the results of his research to the Foundation.

Furthermore and along these same lines the Foundation has long followed the policy of not actively soliciting inventions from research workers. No Trustee of the Foundation and no staff member has at any time invited a University research worker to assign an invention to the Foundation or attempted in any manner to solicit such assignments. It has been thought that any such attempt would be interpreted as the exercise of compulsion or "patent-chasing" - constituting interference of the fundamental freedom of action enjoyed by the inventor at this University.

Essentially therefore, all assignments of inventions to the Foundation have been purely voluntary actions on the part of the inventor. This is

true both with respect to inventors who have previously assigned inven-
tions to the Foundation and also with respect to "new inventors". Con-
duct of Foundation representatives - whether Trustees or employees -
has at all times been governed by these basic considerations.

There has never been any published statement of the above men-
tioned policies followed by the Foundation. However, these policies
have in fact been followed by the original Board of Trustees of the Foun-
dation, by all successive Boards, by personnel in the Foundation manage-
ment and by the University administration. There has at all times been
full understanding between the Trustees group, the Foundation manage-
ment group and successive University administrations on these points.

SAFE-Administration Policies

Fundamentally, the Foundation has always followed the policy of man-
aging its own affairs and not "crossing the campus line" i.e. in any way
interfering with University affairs or attempting to dictate to the Univer-
sity on any matter. The philosophy has at all times been that it has been
the Foundation's function to produce funds for research at the University,
to bring those funds to the border of the campus, and to avoid in any way

dictating to the University as to how these funds should be spent other than that they be devoted to research purposes. By the same token the Foundation has never attempted to in any way influence University operations, affairs and activities not involving the expenditure of such research funds.

The University likewise has carefully avoided interfering with any activities of the Foundation. For example the University administration has never attempted to influence the Foundation by suggestion or otherwise with respect to such matters as investment policies, licensing policies, relations with investors, relations with industry, or similar business operations or similar phases of the Foundation's regular business operations.

Thus the two groups - the Foundation and the University - have functioned as distinctly separate and independently governed units. One way that this independence has been assured is the avoidance of "interlocking directorates". No regent of the University, or University administrator or faculty member has ever simultaneously been a Trustee of the Foundation. Conversely, no Trustee of the Foundation has simultaneously been a regent or University administrator or faculty member.

Pursuant to the above basic policies - a wholly independent operation of the Foundation and the University - the Foundation has never burdened the University with its business problems and affairs. It has not sought the University's advice or consulted with the University in connection with these affairs. The only exceptions to this are where by the conduct of third parties the University is brought into a situation. An illustration of this is the situation of a licensee wishing to use the University's name in connection with promotional material on an invention made at the University. There have been occasions during the past when in such situations the University has been consulted by the Foundation to determine its wishes.

Further it has been the practice of the Foundation management and also Foundation Trustees not to inform the University in detail of its day by day business operations. The philosophy has been not that these business operations should be maintained in secrecy and withheld from the University but rather that these operations are the Foundation's responsibility; that the University has its own problems to solve and should not be burdened with Foundation affairs; that the Foundation's business is for the most part a highly specialized one in which University administration personnel are not and should not be expected to be well versed.

The Foundation has operated on the theory that the University is interested in results - dollars for research - and not the details of how those results are achieved or how those dollars are acquired.

Results of Past Policies

It is a fair question for the present Board of Trustees to inquire as to how successful the foregoing enumerated policies have been during its 22 1/2 year history. Have inventions been assigned to the Foundation without compulsion and without solicitation? Have University inventors elected to dispose of inventions elsewhere or handle inventions on their own and if so how widespread have these practices been? Have valuable inventions made at the University not been brought to the Foundation?

From the standpoint of inventions having been voluntarily assigned to the Foundation it can further be said that by far the majority of inventions made at the University have in fact during the Foundation's history been either offered to or assigned to the Foundation. The exceptions to this are very rare as pointed out hereinafter.

At all times particularly during the past 10-15 years the Foundation has had in its "portfolio" of inventions in the neighborhood of 40-50 inventions under active consideration. Many of these offered to the

Many turned down after careful consideration if @ not patentable or ^{or} ^{or} ^{or} for some obvious reason has no commercial value. However, if unless decision to not attempt patenting is "clear-cut" and obvious to ^{the} inventor, we will attempt to obtain patent and will bring two more offers than two letters and, hopefully, will maintain good will of the inventor.

the Foundation are turned down with only brief consideration but always in such a manner so as to maintain if possible the good will and loyalty of the inventor. Others are accepted by the Foundation and attempts made to patent and commercialize them. Of course, as in the case of any business enterprise, the majority of inventions coming to the Foundation are not productive of income. In its 32 1/2 year history, of an estimated total of inventions offered to it, only inventions accepted by the Foundation have produced aggregate royalties in excess of one thousand dollars. Notwithstanding this, the Foundation has from a patent management standpoint (not considering the outstanding investment record of the Foundation) been one of the most successful or the most successful organizations of its sort in the United States.

As pointed out in the report of Dr. Archie Palmer to the Subcommittee on Patents of the United States Senate, the Foundation, among the entire group of non-profit patent management organizations, has been fortunate enough to own the No. 1 royalty income producer (the Steenbock Vitamin D patent) and the No. 4 income producer (warfarin). Total Steenbock royalties of approximately 14 million dollars are approximately double the royalties received by Rutgers on the antibiotic streptomycin, the No. 2 income producer (about 7 million dollars.) No. 3 income producer among such

patent management groups is Vitamin B₁₂, the patents on which are owned by Research Corporation. Aggregate royalties on Vitamin B₁₂ have been approximately \$ 1/2 million dollars and the patents on this compound are about to expire. Unless there are unforeseen troubles, total warfarin income, with more than 5 1/2 years remaining on the life of the patent, should exceed Vitamin B₁₂, thereby placing warfarin in the No. 3 position. Warfarin royalties to date aggregate about 2 1/2 million dollars.

From the standpoint of inventions received, it would seem that past Foundation policies have been successful and have resulted in the voluntary assignment to the Foundation of a large number of inventions including several of considerable value.

U.S. Inventions Not Assigned to the Foundation

From the standpoint of inventions made at the University which have either been handled by the inventor individually or disposed of elsewhere, the list is relatively small. A sincere attempt has been made in the preparation of this report, in consultation with the University administration, to obtain a complete list of such inventions and to describe the circumstances surrounding the handling of each. Attached hereto as Appendix A is such a compilation.

A careful study of Appendix A, the management facts, reveals the soundness of the no "patent-chasing" policy of the Foundation. There is no indication that, had a policy of solicitation of inventions been followed, any or all of those inventions of appreciable value described in Appendix A would have been assigned to the Foundation. Conversely, it cannot with definiteness be determined what the effect of a drastically different policy would have had on the many inventors who have voluntarily brought their inventions to the Foundation's doorstep. The Foundation management firmly believes that any aggressive policy of invention solicitation would at least in some instances have had the exact opposite effect from that intended - such policy would have in effect "turned away" a substantial number of inventors.

Should There Now Be Any Policy Change?

In the descriptions contained earlier in this report of policies followed by the Foundation the subject was considered in two parts, first with respect to WAMP - Faculty relations and the second with respect to WAMP-Administration relations. A similar breakdown will be followed in this discussion.

As to WAMP-Faculty relations.

The Foundation management has carefully considered a number of

possible steps that might be taken with respect to faculty relations, each involving changes in past policies. Several possible moves are detailed below. It is the management's considered opinion however and it recommends to the Trustees now that some of these changes be made or these moves be undertaken.

Possible actions among others are as follows:

A) Employing additional personnel to contact prospecting inventors.

Some of the Trustees both present and past and from time to time suggested possibility of having a Foundation staff member whose function it would be to maintain close contact with the various research laboratories in the University and research workers in these laboratories to accomplish a number of things including the following:

1. So that the Foundation would be better informed about various research programs being carried on at the University.
2. So that research workers would be better informed about the services of the Foundation and the advantages of assigning inventions to it.
3. So that in general there would be closer liaison and better communication between the Foundation and that segment of the faculty which had previously had no contact with the Foundation.

The Foundation management believes that the assignment of the foregoing duties to any Foundation staff member would do far more harm than good. Such a function would not matter how delicately handled be interpreted by the faculty as "patent-chasing" and would result in serious resentment against the Foundation by many research workers. The Foundation management cannot conceive that such a staff member no matter how adroit or astute could either on the one hand accomplish anything constructive for the Foundation or on the other hand avoid injury to it.

B) Distribution to the faculty of literature regarding the Foundation.

As the Trustees have been advised the Foundation management has on many occasions in the past considered the distribution to the faculty of an informative brochure on the Foundation describing its functions and activities, pointing out its successes in the handling of inventions and finally outlining the advantages of patenting inventions. To date the Foundation has never distributed to the faculty as a whole any literature of this sort although of course many pieces of literature about the Foundation have been written and have been distributed in other directions.

The management believes that any wholesale or mass distribution to the faculty of literature attempting to "sell" the Foundation might

will be interpreted as "patent-chasing". There is need, we believe, however, for such a piece of literature slanted toward the research worker who comes to the Foundation doorstep voluntarily and on his own to offer an invention to the Foundation. To such a man it would be appropriate to give a brochure describing the Foundation's activities and such a brochure is definitely contemplated in the near future. Beyond that we believe that the Foundation should not go.

C) Indirect "selling" of the Foundation and its patent management activities via publicity.

One effective way to inform the faculty indirectly of the activities of the Foundation and its successes is through the local press and locally read publications. Illustrations of this are the articles which appeared in early December 1957 in the Madison Capital Times, copies of which were sent to the Trustees under date of _____ and the article reviewed by the Trustees at the January meeting of the Board which appeared in the February 1958 issue of the Wisconsin Alumnus. Efforts to "step up" this type of favorable publicity should and will be continued.

It should be here pointed out however that continuing to attempt to obtain favorable publicity does not constitute any major policy change in Foundation activities. Through the years much such favorable publicity

has been obtained not only on a local but also on a national basis.

D) Distribution of informational material on WARF by the University.

Another possible move is to request the cooperation of the University in distribution by it of informational material on the Foundation. While the Foundation management believes that the University is in perhaps a better position than the Foundation to distribute such information, nevertheless, even in the case of the University, great caution must be exercised. Any attempt by the University to "over-sell" the Foundation and the advantages of turning over inventions to it might well be interpreted by the faculty as pressure tactics or direct compulsion.

It is the opinion of the Foundation management that the University should not be requested to do more than it has in the past to inform the faculty of Foundation operations. Through members of the University research committee who are in frequent touch with all research workers in the University, the general activities of the Foundation and the services it offers are widely known by the faculty. Even in the case of the Calbert-Swanson-Ciroux invention, as pointed out by President Fred in his memorandum of December 11, 1957 to Mr. Brittingham (see Appendix A to

Trustees' report number for the January 1968 meeting of the Board, there is no lack of information about the Foundation in the University Dairy department. The Dairy department faculty is fully aware of the Foundation's activities and the services it offers. It can be accurately said that for at least 15 years at least one or more inventions emanating from the Dairy department have constantly been in the Foundation's portfolio of inventions.

As to VIATF - University Administration Relations

Is the University administration interested in being informed in more detail than heretofore of the Foundation's business operations? It is the Foundation management's opinion that the University administration is not interested in being so informed; that from several standpoints the administration would prefer not to know the ramifications of the Foundation's business operations; and that as heretofore pointed out, the administration is interested in results - dollars for research - and not how those dollars are acquired.

The University has no responsibility for the Foundation's business operations and should have none. Any attempt to burden the administration with such responsibilities would be a serious mistake.

Views of the Faculty and of the University Administration

The views expressed above in this report are the views of the Foundation management based upon its experiences in participating in the affairs of the Foundation and upon its many and frequent contacts with faculty inventors and with University administration personnel. The management believes however that the Trustees also will be interested in the opinions of certain individuals in the University group on these matters. These general subjects have been discussed by the management and by some of the Trustees with President Fred and President-elect Elvehjem. Both have agreed to join the Trustees at the March 1, 1933 meeting and will be in a position to express their views on these matters to the Board. One or both of these gentlemen may wish to present their views in writing as well as orally to the Trustees in which event such written statements will be supplied to the Trustees immediately upon receipt.

7
With respect to faculty inventors it is hoped that in advance of this meeting we will be able to supplement this report with a few letters from key inventors who due to past associations with the Foundation were fully familiar with its policies, practices and activities. These communications likewise will be if possible forwarded to the Trustees for study in advance of this meeting.

Appendix A

We should cover the following:

Acid rain

Aids

Alcohol

Business and Industry

Education

Energy

Environment

Health

NARS Postdoctoral Fellowships

These awards were established to provide young investigators of demonstrated ability an opportunity to extend their training in an academic atmosphere and to prepare further for university teaching and research positions. If we are to improve our national security, we not only need to attract those with promise into the defense sciences, but give them an opportunity to experience the satisfaction of academic work and teaching contacts. While these fellowships are given for research, they also encourage and permit some teaching experience.

Qualifications: Any individual who has received his Ph.D. degree within ^{the last 10} years and has demonstrated his ability and interest in basic research related to the natural sciences.

Stipends: \$5,000 for the academic year; \$6,000 for the 12 months. Those interested in a larger teaching experience may be appointed as research instructors. The salary will be the same, but by arrangement with the department concerned some of the salary will be paid for teaching.

Application: No specific forms are necessary and applications in the form of a letter should be made to the Graduate Office, 150 Bascom Hall, University of Wisconsin, Madison. The application should include the statement of qualifications, an outline of the project which the applicant wishes to undertake and a statement regarding the department or professor with whom he wishes to be associated. The applicant is encouraged to contact the professor with whom he wishes to work so that proper arrangements may be made for space and facilities. The application should be received by April 1 and notice of appointment will be made as soon thereafter as possible.

RVA