DRAFT - Sept. 1, 1964

Professor William H. Young
Budget Director
20 Bascom Hall
The University of Wisconsin
Madison, Wisconsin 53706

Dear Bill:

Re: Crane, Green, & Lester
Case N-G2-58 (D59)

You have forwarded to us a copy of letter from Dr. David E. Price, Deputy Surgeon General, dated August 18, 1964, in regard to the above case. You have asked for our comments and for our Foundation's position in regard to the matters discussed in Dr. Price's letter.

We should like to make the following points:

1. The Surgeon General's Determination in this case of December 16, 1959, in paragraph G-1 specifically provided that:

> "all rights in the invention, including the pending patent application, will be left by the inventors with the Wisconsin Alumni Research Foundation."

In accordance with the above quoted paragraph G-1 of the Determination, the inventors, in fact, under date of August 25, 1960, assigned all their right, title and interest in and to this invention, and the pending patent application thereon, to the Wisconsin Alumni Research Foundation.

Section G-6 of the Determination, referred to in Dr. Price's letter of August 18, provided as follows:

> "If at any time the Foundation decides to abandon the patent application or otherwise to give up the development and administration of this invention, it shall either (1) assure the effective dedication of the invention to the public or (2) offer to transfer all rights in

and to the invention to the Government as represented by the Secretary of Health, Education, and Welfare." (Emphasis supplied).

It is clear from the above that at the present time the Foundation - not the University of Wisconsin - is the owner of this invention, and the Foundation - not the University of Wisconsin - is the only entity in a position to transfer rights in this invention to the Government.

In the light of the foregoing, it is most puzzling to us why Dr. Price's letter of August 18 was, in the first place, addressed to the University of Wisconsin rather than to our Foundation and, in the second place, why Dr. Price did not supply to the Foundation a copy of his letter of August 18 to you.

2. In a letter dated September 20, 1963, (copy attached) our Mr. Bremer advised you that it was then our intention, prior to payment of the final fee to the Patent Office in the pending case, to assign the Foundation's right, title and interest in and to this invention to the United States Government. On the basis of that expression of intention, you, in a meeting with Public Health Service representatives in Washington on October , 1963, offered all right, title and interest in this invention to the Government.

Based on the foregoing, we feel we are committed to follow through with your offer to assign this invention to the Government. We feel this way on the basis of our September 20, 1963, letter to you and not on the basis of any requirement in

the Determination. In other words, under the Determination, there would clearly be no obligation on our Foundation at this time to elect either of the alternative courses of action set forth in the first sentence of paragraph G-6 of the Determination. Were it not for this prior commitment, the Foundation would have been in a position, so long as it did not wish "to abandon the patent application or otherwise to give up the development and administration of this invention," to elect to retain ownership of the invention until July 1968 and hope that a commercial interest in the invention would be developed.

In accordance with the foregoing, we now advise you, and through you the Surgeon General, that it is our election to pursue alternative 2 of paragraph G-6 of the Surgeon General's Determination and we, therefore, now by this letter:

> "offer to transfer all rights in the invention to the Government as represented by the Secretary of Health, Education, and Welfare."

3. We should like to reiterate emphatically a point made in Mr. Bremer's letter of September 20, 1963, to you regarding this matter. After the Determination in this case of December 16, 1959, our Foundation (not the University) pointed out repeatedly (orally and in writing) that the Determination was wholly unrealistic in permitting the grant of a limited exclusive license to a single firm which was willing to undertake to develop the invention, only on condition that "all future developments

based on this invention made by an exclusive licensee" would be subject to the restrictive terms of the Determination (see letter from Dr. W. G. Hendrickson of WARF to Deputy Surgeon General Porterfield of September 26, 1960, (copy enclosed). This meant that the Foundation's exclusive licensee would have to agree, in consideration of receiving its exclusive license, to (a) license the Government royalty-free under all of its future developments based on this invention (paragraph G-4 of the Determination) and (b) at the end of ten years from the date of filing the patent application in the original case (July 7, 1958), either effectively dedicate all such future inventions to the public or make licenses thereon generally available on a royalty-free and nonexclusive basis. (See paragraph G-3 of the Determination) The inequities inherent in this phase of the determination were pointed out to the Surgeon General not only by our Foundation (see letter from Hendrickson of September 26, 1960, enclosed), but, likewise, convincingly by letter from Merck & Company, Inc., our proposed exclusive licensee, to WARF dated August 10, 1960 (copy of the Merck letter was sent to the Surgeon General with the Hendrickson letter of September 26, 1960).

We should like to point out that as a result of this harsh requirement in the Determination:

(a) Merck lost interest in the invention;

(b) no license, exclusive or otherwise, was issued to Merck on the subject invention;

(c) shortly after the making of the Determination by the Surgeon General, Merck abandoned all development work on the new quinone, coenzyme Q, which constituted the invention;

(d) Merck then turned its attention and devoted its further development efforts to analogues of coenzyme Q covered by patent applications owned by it; and

(e) that, therefore, as a result of the Determination the subject matter of this invention, the new quinone coenzyme Q, is apparently permanently "on the shelf," undeveloped, a mere laboratory curiosity and with no benefit whatever to the public flowing therefrom.

Very truly yours,

Ward Ross,
Managing Director

WR/nmb
Enc. 2
cc: H. Bremer
M. Woerpel