REMARKS BEFORE THE COMMITTEE ON
GOVERNMENT PATENT POLICY

At the outset I should tell you that I am appearing here today to represent the University of Wisconsin at the request of Mr. Robert Gentry, an Associate Vice President of the University, because of the experience which the Wisconsin Alumni Research Foundation has had in the administration of inventions for and on behalf of the University.

It is our understanding that this Committee is again considering the possibility of establishing a uniform patent policy which can be adopted by all, or at least most, of the Agencies of the Federal Government. It is our futher understanding that your current considerations are whether title to inventions should vest in the Government, with a grant of an exclusive license to the contractor or grantee, or whether title should be allowed to pass to the contractor or grantee with the Government reserving a nonexclusive license for Governmental purposes.

There are a number of important factors which must be given full consideration before the Committee adopts a policy which retains title in the Government and gives an exclusive license to the contractor. Among these are:

1. What will be the effect on the continuity of a licensing posture or licensing program - that is, what degree of reliance can the inventor or licensee place on the licensor's position both domestic and foreign, what guarantees are there for these parties?

2. The functional differences between the industrial contractor and the University contractor - the latter having to rely upon third party licensing to deliver an invention to the market.

3. The possible effect upon the tax exempt status of some patent management organizations.

4. The fact that the adoption of such policy would destroy the advance waiver possibility and place all determinations on a case-by-case basis.

5. Evidence of past experience patent management organizations have had with the advance waiver as laid down through Institutional Patent Agreements.

We believe that the continuity of a licensing posture and a licensing program is of prime importance to the inventor-licensor-licensee relationship and submit that that continuity is lost where the Government retains title and merely grants an exclusive license to the contractor. Such a policy raises a number of serious questions. For example:

1. What will be the position of the exclusive licensee in the event infringement occurs? Will he have the right to sue the infringer? Does he, in fact, want such right? Will the Government institute and conduct such suit in support of the exclusive license it has given? What settlement options must the Government retain for such eventuality?

2. What will happen if an exclusive sublicense is issued? (This is a very real possibility since University inventions are notoriously under-developed and require the type of incentive supplied by exclusive licensing positions.) Upon the expiration of the period of exclusivity as between the Government and the licensee, will the sublicensee repudiate the sublicensing arrangement and attempt to renegotiate directly with the Government on a nonexclusive basis to try to obtain better terms?

If the exclusive license and exclusive sublicense are co-extensive in terms but the sublicensee has not within that time been able to recoup his investment can the period of exclusivity be extended?

Ancilliary to such problems is that facing a tax exempt patent management organization (a 501(C)(3) organization under the IRS Code). If such an organization functions under the Government title-exclusive license policy it would appear to be a licensing agent for the Government - in other words, an invention or patent broker. Such activity could be construed as an unrelated business activity and jeopardize the tax-exempt status of the organization. This consideration is very real since it is only within the past year that the Wisconsin Alumni Research Foundation has had re-established by the IRS that income derived from the licensing of inventions is not unrelated business income - but that decision was reached only after a long and costly dialogue.

The continuity factor is also important in the attitudes of inventors and potential and actual licensees. What degree of reliance and confidence can they place upon their association with the patent holder-licensor. In WARF's situation because of the reputation which it has developed over the years, including its role as the designee of the University of Wisconsin under the Institutional Patent Agreements with DHEW and NSF, inventors and potential and actual licensees have a great deal of confidence in the "ground rules" under which it operates. Without the continuity afforded by holding title to the invention being licensed neither the inventor nor the licensee could be sure of its respective position. With the inventor the possible and continuing recognition of the value of his invention through translation into the public sector and through a return to him of a small part of the royalties derived from the invention is at stake. With the licensee it is the assurance that he will have a continuing position under the conditions originally negotiated.

The questions and problems which I have raised thus far either do not exist or are minimized when title to inventions made with Federal funds in the University communities vests with the respective University or its approved designee.

Advance waiver such as is accomplished through the provisions of current Institutional Patent Agreements is also of prime importance to the University community. It would appear that advance waiver could not be a viable alternative under the Government title-exclusive license approach since identity of the invention would be a prerequisite to the granting of a

license - licenses must necessarily vary in terms depending upon the nature of the invention. Thus, we would again be faced with a case-by-case determination situation - a regressive policy when compared with the Institutional Patent Agreement policy.

It has been the experience at WARF that a case-by-case determination situation is ponderous, frustrating and very often unworkable from both a practical and practicable standpoint.

As a practical matter we have found that in the absence of an Institutional Patent Agreement the inventor appears to be much more reluctant to report inventions - the attitude is apparently that the necessary preparation and documentation required for a case-by-case determination can be avoided if the invention is not reported.

As a practicable matter the problems and details encountered in (a) preparing all of the necessary documentation attendant upon a request for a determination and (b) the time factor attendant upon such preparation and the processing of the request along with the decision making process and communication of the determination may well mean that the invention may never be practiced for the benefit of the public. We have, in fact had situations where, apparently more deliberately than inadvertently, a statutory bar has been permitted to occur before the determination was made.

In support of some of these latter points we believe that the disenchantment of scientific investigators at the University of Wisconsin with the case-by-case determination policy is evidenced by the fact that

prior to the advent of the first Institutional Patent Agreement with DHEW, i. e. in the early 1960s, the disclosure input to WARF from the University was about 15 or 16 per year, and mostly of rather trivial inventions. Since the advent of that first Institutional Patent Agreement in 1968 with DHEW (later enhanced by an Institutional Patent Agreement with NSF) there has been an increasing flow of invention disclosures to the 60 to 70 per year range over the past several years.

It is interesting to note that under the Institutional Patent Agreement with DHEW, WARF, as the designee of the University of Wisconsin, has filed 44 U. S. patent applications (it has, of course filed others also). These patent applications represent about 17 licensable groups of inventions. Seven of these groups (about 41%) which embrace 28 (64%) of the 44 patent applications, or patents maturing from them, have been licensed to some 18 licensees.

These figures can be compared with the 50 year experience of WARF in which it has filed a total of 415 patent applications representing about 195 groups of related inventions. Sixty-two (about 32%) of these groups of inventions have been licensed to 71 licensees. It is also significant that by back-calculating from the royalties received by WARF it is estimated that all of WARF's licensees have collectively enjoyed about 1. 75 billion dollars of sales under license.

In all of the situations where Institutional Patent Agreements were involved the public interest has been amply protected through the march-in rights reserved to the Government and through other terms and provisions governing licensing in those Agreements. In other situations the licensing

policies followed by WARF have functioned to protect such interest.

In closing I want to assure you that the statement I have given is not merely an emotional response to a suggested change in policy. Rather, it has been an effort to bring into your considerations factually-based experiences so that a policy can be adopted which will establish the best of conditions for the transfer of technology from the University communities into public use. Based upon the experience at the University of Wisconsin with the licensing of inventions in general and with case-by-case vs. Instititional Patent Agreement policies in particular, we are firmly convinced that the policy which provides such best conditions is one where title does not remain with the Government and where title transfer to the contractor-grantee is accomplished through an Institutional Patent Agreement.

I thank you for having given us the opportunity to share our experience and thoughts with you this morning. If you have any questions I will do my best to answer them.

Howard W. Bremer

February 17, 1976

not delivered !