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STATEMENT OF
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OF THE SOCIETY OF UNIVERSITY PATENT ADMINISTRATORS
BEFORE THE
SUBCOMMITTEE ON DOMESTIC AND INTERNATIONAL SCIENTIFIC PLANNING
AND ANALYSIS
OF THE
HOUSE COMMITTEE ON SCIENCE AND TECHNOLOGY
WITH REGARD TO
UNIVERSITY PATENTS AND FEDERAL GRANTS AND CONTRACTS
SEPTEMBER 23, 1976

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity of appearing before the Subcommittee today. My purpose in appearing is to discuss with you the treatment of inventions and patents in grants and contracts from the Federal Government to colleges and universities. The primary matters of concern in what I have to say are the public interest, inventors' equities and university equities.

I should say at this point that a significant portion of my statement has been based upon a 1968 paper issued by the Subcommittee on Patents and Copyrights of the NACUBO* Committee on Governmental Relations. My remarks can be considered to be those of a member of that Sub-Committee in addition to my speaking as President of the Society of University Patent Administrators. We are gratified that your Subcommittee is

*NACUBO stands for National Association of College and University Business Officers.

examining the ownership of inventions resulting from Federally funded research and development, and especially gratified that the unique position of colleges and universities should be taken into consideration.

Universities by their very nature and by their charters have an obligation to serve the public interest. They do this in a variety of ways in a variety of endeavors. In order to do it effectively in the patent area, universities need to have a patent program which will make patentable inventions arising in the course of university research available in the public interest under conditions that will promote effective development and utilization.

It is said that the reason why many organizations apply for at least some patents is as a defensive measure to protect a commercial position. Universities do not apply for patents for defensive reasons, since they have no commercial position to defend. Their motivation is in the direction of seeking objectively the best qualified sources for delivery to the public on the broadest possible scale the results of their research.

Few university inventions are commercially practicable in the form in which they are conceived or reduced to practice in the University. Many, if not most, are in fact unanticipated byproducts of the research effort. Universities do not have the funds, the incentive or the expertise to develop patentable inventions to the point where they can be produced and marketed. Almost always, therefore, further investment is necessary in order to have an invention publicly available. What organization will be willing to make the necessary investment to bring an invention to the market without the kind of protection that a patent gives, protection from others who would pick the fruits without planting the tree?

As a result of what I have said, universities need to retain rights

to inventions whether made in the course of Federally funded research or otherwise. Patent applications can then be filed promptly and negotiations immediately commenced with prospective licenses, with the active assistance of the inventor, so that an invention can be developed to the point of public use. In some fields, such as drugs, agreements can be entered into for the testing of compounds with some protection for the testing firm's expenditures before it is even clear whether there is a patentable invention. By these means patentable inventions can be put into use widely and effectively. As a result, the public will benefit.

Where does the university inventor stand? University personnel, as compared with those in a commercial research organization, are employed and promoted with salaries which give no recognition to the value of any inventions they make. Their interests and in many ways their futures lie primarily in the publication of research results in the open literature. As a matter of equity, therefore, universities, without any exceptions that I know of, provide for a share of royalties from patented inventions to be paid to the inventor. This provides an incentive for him or her to spend the time and effort necessary to disclose an invention properly, to participate in invention evaluation, to work with patent attorneys, and to provide information and assistance to potential or eventual licensees. Without this incentive, and it must be an adequate incentive, experience shows that few inventions are disclosed, for the amount of persuasion which a university can effect with members of the faculty for disclosure is very limited.

In addition to the inventors, the university has an equity in inventions made using its funds or facilities. No matter who pays for the research performed, the payments are invariably for less than the full true

costs. With some exceptions the university has paid for the facilities needed. And it has a huge investment in accumulating and providing a highly competent cadre of personnel without which no Federally funded research would be possible. Should perchance lightning strike and a bonanza invention come forth, the university's share of any funds realized would by the terms of its charter be used for the public interest purposes of education, research and public service.

It is our firm and strong belief that the conditions of Federally funded research grants and contracts with colleges and universities should be consistent with and adapted to the factors I have discussed above. We have seen little evidence that Government ownership of university inventions will promote the public interest in the sense of development and production for public use, since the investment necessary to convert the professor's brainchild to a marketable product is not forthcoming. Government ownership gives the university inventor no incentive to disclose his invention and to divert time and effort to working with patent attorneys and potential users. The university has little incentive to obtain adequate invention disclosures and its equity in inventions is not recognized.

How about the Government's equity in inventions resulting from Government funded research in universities? This ought to be satisfied by a royalty-free nonexclusive license for Governmental use. The Government thus receives the right to use royalty-free the results of the research which it paid for. Greater rights, such as title to inventions, are, for reasons I have already discussed, against the public interest because of the problems of development and marketing, and they vitiate the inventors' equity as well as the university's equity. The Government when it gives a contract or a grant for research is not buying an invention or inventions. One cannot contract for a patentable invention to be made which is as yet

unborn and even unconceived.

I have spoken about a royalty free license for Governmental use. In recent times Governmental use has been extended to use by state and local governments as well as by the Federal Government. This seems unfortunate and undesirable. State and local governments do not have an equity. Licensees balk at tracing the payment or nonpayment of royalties through the almost impenetrable maze of manufacturers, wholesalers, distributors and outlets in order to insure the some fractional royalty hidden in various markups is not being paid by a local township.

A provision for title in the Government with the opportunity for waivers is practiced by some agencies. Sometimes the waiver is granted in advance for a particular grant or contract for all inventions that may be made. Sometimes the waiver is granted after an invention is identified. My experience and that of my colleagues are not favorable in either situation. Waiver applications are complicated and costly. The agency criteria for granting waivers are difficult to satisfy and their administration demonstrates the typical bureaucratic tendency of being more stringent than necessary in order to avoid criticism. Waivers also often carry with them march-in requirements and other strings. Waivers on individual inventions after identification generally make it impossible to enter into drug testing agreements or other cooperative undertakings. Waivers put the shoe on the wrong foot. If what I have said earlier is true, there should be a very strong presumption that the country's interests are best served by vesting title to inventions in university contractors and grantees unless there is good and sufficient reason to do otherwise.

The question can be asked whether leaving title with universities for all inventions resulting from Federally funded research, with only

a royalty free nonexclusive license to the Government, will adequately protect the public interest. If what I have said earlier is true, and I firmly believe it is, the probability should be very high that the public interest will be served. However, there may be the need for even greater assurances. In this case probably the best mechanism that has yet been devised is the Institutional Patent Agreement. The IPA as it is termed was first developed as far as I know by the Department of Health, Education, and Welfare and was more recently adopted by the National Science Foundation. The General Services Administration now has out for comment--and we are in the process of preparing comments--a proposed amendment to the Federal Procurement Regulations which would provide for Institutional Patent Agreements. If this FPR amendment is adopted, IPA's might then be available from all agencies except where the statutes prevent it.

Briefly the Institutional Patent Agreement is an agreement between an agency and a college or university covering the management of all inventions arising from agency grants or contracts to the institution, unless specifically excepted. As an advance condition the institution's patent policy and program must meet certain criteria. There are limitations on how patentable inventions can be handled, and the Government may require licenses or additional licenses if adequate progress is not made towards practical application, or for purposes such as fulfillment of public health or safety needs.

In place of the widely varying and often inequitable patent arrangements now prevalent, we would greatly prefer that the Institutional Patent Agreement principle be applied to all Federal agencies in funding research and development at colleges and universities. This will mean a change in the statutes for some agencies, and a change in attitude in others. There will undoubtedly be some exceptions taken to the

detailed requirements contained in IPA's since nothing is ever perfect, but we would hope that these requirements could be held to a bare minimum, with a termination of the agreement in the unlikely instance of a violation of the spirit of the arrangement, instead of the imposition of onerous conditions on everyone.

To summarize, I urge that the title to inventions arising from Federally funded research at colleges and universities be left with the institutions, that this be done with the Government receiving a royalty-free nonexclusive license for Federal Government purposes, and that the Institutional Patent Agreement with reasonable and minimum requirements, as the best method so far encountered, be the method for implementation. If these objectives can be accomplished, the public interest will be advanced and the equities of university inventors and of universities themselves will be satisfied.

RJW/dh

September 16, 1976