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From the Desk of...

CLARK A. McCARTNEY

May 11, 1976

TO: Mr. Howard W. Bremer
Patent Counsel
Alumni Research Foundation
University of Wisconsin

This is a summary of the recent meeting with the Electric Power Research Institute. In the June meeting, we can discuss our next move to take with EPRI.


Clark A. McCartney, Chairman
Sub-Committee on Patents,
Copyrights and Rights in Data

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National Association of College and University Business Officers

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MEETING REPORT

Sub-Committee on Patents, Copyrights, & Data

Subject: Electric Power Research Institute,
April 26, 1976, Palo Alto, California

To: Clark A. McCartney, Chairman

From: Larry Gilbert

Attendees:

EPRI

David Saxe
Jim Lande
Will Howard
Grant _____

COGR

Clark McCartney
Wally Treibel
Mark Owens
Howard Bremer
Lawrence Gilbert

1. EPRI Position

Jim Lande presented the EPRI position with respect to Patent Rights. On opinion and advice of legal counsel and with the concurrence of their Board, EPRI has concluded that they must keep title to all patents. Their rationale is as follows:

a. granting of title on exclusivity would jeopardize their Section 501 status;

b. granting exclusives would be in conflict with their policy of making the fruits of the research available without discrimination to the general public;

c. providing full costing entitles EPRI to all patent rights;

d. providing grants for development that is not basic research makes the IPA approach untenable;

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e. Providing full costing entitles EPRI to patent rights including applications that may be unrelated to electric power generation as well as any foreign rights;

f. retention of patents by EPRI ok'd by Justice as not constituting a pool on grounds that licensing would be conducted on a nondiscriminatory basis to all including all qualified applicants outside the member group.

2. EPRI Membership

According to Mr. Saxe, EPRI consists of approximately 80% of the U.S. public utilities and about 90% of inventor-owned utilities, TVA being the largest member. No list was available or offered.

It should be noted that the Empire State Utilities does not have a title policy and recognizes the importance of university-industry liaison in the development of a university invention.

3. EPRI Policy and Objectives

Lande stated EPRI policy and objectives as promoting utilization of developments and inventions for the public good providing policy was complied with, policy being paramount. EPRI policy consists essentially of retention of rights, a royalty-free license to all utility members and other U.S. utilities and royalty-sharing with the university with respect to the licensing outside its membership.

It is the subcommittee's contention that without the involvement of the university and its inventors and without the ability to grant a limited-term exclusive to the private sector, EPRI will be unsuccessful in attracting prospective licensees. Thus, in all probability, any royalty-sharing concept that does not include the university as an active partner is meaningless. EPRI may simply become a holder of paper patents, a result clearly not in the public interest yet Lande insists that policy is paramount over the public good.

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4. COGR Position

a. WARF has a similar tax exempt status to that of EPRI and sees no difficulty in EPRI granting title or exclusivity.

b. The granting of an exclusive time-limited license is not discriminatory as EPRI suggests. It often presents the only mechanism for creating the necessary incentives for industry to assume the risk of development. Moreover, even Stern of the Justice Department has sanctioned field licenses that are exclusive but time-limited.

c. EPRI fails to recognize the unique characteristics of the university; its special expertise, facilities, and equipment. The university conducts research primarily in the pursuit of its educational and training requirements, inventions being a by-product of such research. The university professor as an employee is not hired to invent. But accordingly, the university and its inventors are entitled as *aguid pro quo* to an equity position.

d. The distinction drawn by EPRI that it sponsors developmental research and not basic research is an artificial one vis-a-vis the university. The facts are that such research will produce inventions that are embryonic in development (if at all). As such, the university invention typically will require the continued promotion by the inventor and the university if the invention is to be utilized. Title in EPRI with little or no incentives running to the university and its inventors will result in little or no utilization of university inventions. It is this sub-committee's view that EPRI's policy as stated in Paragraph 3 will not carry out its objectives, and moreover, that EPRI as a result of its policy will become a large holder of paper patents in a fashion similar to the U.S. government.

e. Application unrelated to power generation are more likely to be promoted by the university which has diverse interests than by EPRI whose interests are limited to power generation. Moreover, foreign rights, if obtained, are not likely to be exploited by EPRI.

5. Recommendations

Although EPRI contracts with universities vary considerably, their intent is to give EPRI complete control of the patents. The most liberal of the various provisions is the contract with the University of California system. ?

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Title is in the university, but it must grant back on exclusive for the life of any and all patents arising out of the work. Royalty-sharing is provided for and the university can file and retain title in the event EPRI determines that a patent should not be applied for.

In the opinion of the subcommittee a more positive approach that encourages university involvement yet satisfies EPRI policy and objectives would be the following:

- a. Retention of title in EPRI;
- b. An exclusive license to the university for the life of the patent with the right to grant sublicenses either on a nonexclusive basis or a time-limited exclusive basis provided a showing can be made that such an exclusive is necessary to bring forth the necessary risk capital to develop the invention;
- c. March-in rights in the event the university is unable to promote utilization;
- d. A royalty-free license to make, have made, and use to all utility members;
- e. Royalty-sharing with respect to licenses that are not U.S. utilities;
- f. EPRI has right to sue infringers but university can sue if EPRI elects not to.

g. Retention of foreign rights by universities.