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w/ Nelson

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THE UNIVERSITY OF VIRGINIA ALUMNI PATENTS FOUNDATION

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June 22, 1978

PATENT BRANCH, OGC  
DHEW

CARL B. WOOTTEN  
Executive Director

JUN 27 1978

Dr. William O. Burke  
Vice President  
Eastern Region  
University of Georgia  
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Dear Bill:

First of all, my apologies for the long delay in answering your letter of April 28, 1978. The month of May was taken up with an extended trip to Europe on business, and I've been buried since I returned. In any case, let me try to answer some of the questions posed by your letter, on the assumption that it is not too late.

1. Since we have institutional patent agreements with HEW and NSF, the only examples I can site are those inventions involved with ERDA and one with the Army which caused us great difficulty. It is difficult to give specific instances where private sponsors have backed off since, in the evaluation phase, government rights are taken into account in their decision as to whether or not to proceed. In the Army case, the licensee had already indicated their willingness to license the invention if the Army would leave the rights to us under terms similar to our IPA with HEW. It took quite a period of time, but we finally got the Army to agree, so the license was concluded. You also asked in your first question the dollar volume we have lost within the past five years, but I real have no feel for this. I think more importantly, the fact that we do hold IPAs has allowed us to be relatively successful in licensing the inventions, because it still gives the licensee the commercial incentive required to develop a product and put it on the market. Without these IPAs, I think our record of licensing would be poor indeed and would probably be limited to those items which were developed with University funding.
2. Again, with our IPAs, we have not had to negotiate any specific terms with sponsors due to patent clauses.

3. Our IPA has "saved the day" many times. The fact that the potential licensee knows that he will have specified patent rights if the development contracts work out satisfactorily is primary in the company's decision to invest in development work. In one particular case, we even had to go back to the agency and request an extension of the exclusivity period due to the fact that the company's return on the investment calculations showed that they would not even be at the break even point by the time their exclusive period ran out. The agency's assistance and understanding in allowing the lengthening of the exclusivity period in this one case literally made the deal for the University. Without this kind of cooperation, and without our IPAs, we would certainly not be in any position to attract this additional research money.

In another instance, we have been able to obtain \$20,000 as a grant to our electrochemistry laboratory from a major company. This grant was given for research in an area of interest to the company, and it was left up to the principal investigator as to how the money was spent. Since the laboratory also works on many government contracts, this grant would not have been given without our Institutional Patent Agreements. The company knows that the government will most likely be involved in any inventions coming out of the laboratory, even though their private funding was also included. They did not feel that it was a problem, since they are assured of some rights in return for their grant under our Institutional Patent Agreement. This is about the most specific case I can site where the IPA was a primary factor in allowing us to get this \$20,000 grant. It is particularly important to note that this is not a contract, but a grant from industry which was given specifically to supplement government funding in an area of their interest.

4. I think you can gather from the foregoing paragraphs my opinion of the effective government title-in-inventions or deferred-determination policies! I think the recent article in Business Week which indicates that there are some 28,000 government patents, and something less than 15% of these are licensed pretty well tells the story. From our experience in dealing with industries on inventions, I think I can flatly state that without their ability to negotiate for the rights to these inventions, they would not make the investment required to develop University inventions. As you are well aware, most University inventions are not anywhere close to being a marketable product when they are first discovered, and it always requires a considerable capital investment by the company to develop it from the laboratory model to some-


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thing remotely resembling a marketable product. Additionally, it is my opinion that, except in rare instances, the government's policy of giving anyone a license that wants it would be a similar deterrent for a company to make that investment decision. The deferred determination policy which the government is presently discussing would, in my opinion, cripple our program here. We cannot afford to immediately patent every idea received from our professors, and any delay in finding out whether or not we have rights would require some agreement by the professor to withhold publication until that determination was made. Obviously, we cannot and would not ask a professor to do such a thing. Thus, we would be in a situation where the work would already be published and we would be into our one year grace period before we found out whether or not we had the rights. As you know, this would also prevent us from getting any foreign patents in many cases. Also, the last thing we need is another government agency to be set up to administer such a deferred determination system. What we do need is more people in the present government agencies like Norm Latker who recognizes the real world problems and incentives that face both the university and a commercial firm in attempting to get a grain of an idea into the market for the public good!

I hope this helps, and if I can do anything else to help in the battle, please do not hesitate to let me know. I am also enclosing herewith a letter of June 16, 1978 from our Associate Provost for Research to Senator Nelson which officially states the University of Virginia's position on this whole issue.

Again, my apologies for the delay, and I hope these comments are not too late to be of use to you. I look forward to seeing you again soon.

Best regards,



Carl B. Wootten  
Executive Director

CBW:cmb

cc: D. Barnes  
✓ N. Latker

Enclosure