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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE
NATIONAL INSTITUTES OF HEALTH
BETHESDA, MARYLAND 20014

FEB 0 3 1977

Mr. Raymond J. Woodrow
President
Society of University Patent Administrators
Princeton University
P. O. Box 36
Princeton, New Jersey 08540

Dear Mr. Woodrow:

Thank you for your letter of February 11 regarding several issues concerning patent matters and other issues in the transfer of technological information to the scientific community.

The translation of technological information for use within the scientific community has been of considerable concern to the National Institutes of Health (NIH) for many years. At this time we are in the process of formulating plans which, if carried out, have the potential for making new findings which emanate from NIH grant and contract supported programs rapidly available to the scientific community. Also, as you are probably well aware, NIH has long supported the concept of the institutional patent agreement and has been constantly urging the extension of these agreements to as many institutions and organizations as possible. We recognize, however, that there is much more to be undertaken in these areas.

As a more specific response to your letter, I have asked Dr. Thomas E. Malone, Associate Director for Extramural Research and Training, NIH, and Dr. Leon Jacobs, Associate Director for Collaborative Research, NIH, to review with the appropriate officers in the Department and NIH the issues raised in your letter. I am sure that their review will provide you with substantive information which will be of value to the Society of University Patent Administrators.

Sincerely yours,

D S Fredrickson

Donald S. Fredrickson, M.D.
Director

cc: Dr. Malone
Dr. Jacobs

301-496-1096

cc Lasker

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE
NATIONAL INSTITUTES OF HEALTH
BETHESDA, MARYLAND 20014

March 23, 1977

Mr. Raymond J. Woodrow
President, Society of University
Patent Administrators
Princeton University
Post Office Box 36
Princeton, New Jersey 08540

Dear Mr. Woodrow:

Dr. Fredrickson, in his letter of February 23 to you, indicated that Dr. Malone and I would review with appropriate officers in the Department and NIH the issues raised by your suggestion that costs involved in patent management be allowed in the calculation of indirect cost rates.

We have discussed the issues with a variety of officials. As yet we have come to no definitive conclusion, because of a need to identify what changes would be necessary in guidelines issued by the Office of Management and Budget and in HEW regulations in regard to options open to us. In our discussions, we were advised not to pursue only the indirect cost rate computation issue but to consider how direct costs could be paid under different circumstances. Individuals within the DHEW are to explore some of these matters with OMB and let us know the response. NIH will then have to decide what its position will be.

This communication, then, is an interim report, merely to indicate to you that we are studying the matter. Considering its importance, I am not encouraged that answers will be arrived at promptly, but they will eventually be reached.

Sincerely,

Leon Jacobs, Ph.D.
Associate Director for
Collaborative Research

NJL

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March 30, 1977

Dr. Leon Jacobs
Associate Director for Collaborative Research
Department of Health, Education and Welfare
Public Health Service
National Institutes of Health
Bethesda, Maryland 20014

Dear Dr. Jacobs:

Thank you for your letter of March 23. I am happy to know that you are seriously considering our recommendation to make patent management costs allowable in the determination of university indirect costs. The thought that such costs could be charged directly to the appropriate grants or contracts has occurred from time to time. In fact, it works reasonably well in a really large laboratory such as a Federally Funded Research and Development Center. But then most other items which are normally indirect costs for a university having a number of smaller grants and contracts generally become direct costs for an FFRDC. However, direct charging of patent management costs to relatively small grants and contracts raises some very difficult problems.

In the event you have not seen it, I enclose a paper on "Indirect Costs in Universities" which I prepared for the American Council on Education in connection with their contract for services to the President's Biomedical Research Panel.

I think there would be much gained if we could have a person-to-person discussion of this topic, and I would be happy to go to Washington for this purpose.

Sincerely,

Raymond J. Woodrow

mag/RJW
Enclosures

b. c.c. Norman Latker w/e
Max A. Binkley w/e
Reagan Scurlock w/e