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November 27, 1978

Mr. Howard Bremer, President
Society of University Patent Administrators

Dear Howard:

Having just received Cynthia Hanson's memorandum and the enclosed letter from George Olson, I feel that I must write to urge that SUPA not support the proposal as set forth in Olson's letter. There are three elements to the proposal that I would like to discuss.

1. At the bottom of page 1 of Olson's letter it is stated that an incentive is needed "to encourage the university scientist to identify ... etc.. a possible new invention." I see nothing in the proposal that will do this, since item 7 on page 2 says that NSF funds are not to be paid to inventors as a division of royalty. The only mechanism that I know of to encourage disclosure is an adequate share of royalties to the inventor, which can be helped by the successful experiences of colleagues.

2. The $10,000 annual award for an acceptable patent and invention policy will raise all kinds of problems. What will be the criteria? Who will judge? Actual in-house implementation is more important than what is on paper, but how will this be evaluated? A much better solution in my view is the SUPA endorsed proposal that the costs of a patent program be an allowable indirect cost.

3. Patent income is a poor way to provide for an institutional grant program, although such income can supplement such a program. Patents paying substantial royalties are almost an accident and they bear no relation to the merits of a particular institution's needs and ability to use such funds wisely. Since more inventions come from applied than from basic research, the proposal would have applied research rewarded and basic research deemphasized. Again the indirect cost route is preferable, with an allowance for independent research and development (IR&D) made an allowable indirect cost as now applies to industry and as the NACUBO Committee on Governmental Relations has urged on OMB.

I hope that you will be sympathetic to my views.

Sincerely yours

Ray

cc. Cynthia J. Hanson