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Cables: UPATSTAMCO

January 6, 1978

The Honorable Barry Goldwater
United States Senate
427 Russell Building
Washington, D.C. 20510

Dear Senator Goldwater:

This letter concerns the recently held hearings of the Monopoly Subcommittee of the Senate's Small Business Committee regarding the disposition of patent rights to inventions developed under U. S. Government funding.

University Patents, Inc. is the largest public company in the United States specializing in technology transfer on behalf of American universities. Our list of university clients includes the University of Arizona, Arizona State University, The University of Connecticut, University of Chicago, University of Illinois, University of Colorado, University of New Mexico, Case Western Reserve University and several others.

On behalf of our company, our client universities and other American universities, I am concerned that the academic viewpoint was not appropriately represented at the above-mentioned hearings. These nonprofit institutions, dedicated to the public benefit, should, in my opinion, be treated in a separate category and cannot be properly considered in the same category as private contractors for several reasons.

First, most private contractors' efforts are directed at developing and/or producing finished products or in conducting research programs in technology areas where identified commercial (non-Government) product potential exists. University efforts, on the other hand, tend to be heavily oriented toward research into "leading edge" embryonic technologies. This type of research leads to inventions which, while often of great potential significance to the public, are quite far from commercial reality. Thus, a substantial investment is usually required in order that such inventions be converted into commercial products or processes. Until this conversion to useful products takes place, there is little, if any, public benefit derived.

Second, the transfer of embryonic technologies from the university laboratory to the private sector and ultimately to the public as useful products is by no means easy. Inventions do not sell themselves, but rather require professional, highly motivated advocacy in order to convince industry to take the financial risks inherent in developing products from new technologies. In order for this transfer process to succeed, proper incentives must be available for the inventors, the institutions and potential licensees. To remove any incentive from the inventor (the person most familiar with the technology and its best advocate) by placing title to patent rights with the Government is counterproductive. This also applies to the inventor's co-workers and other university administrators who support his role as advocate.

Third, unlike the private contractor, the university produces no commercial products. It has as its primary objective the granting of licenses so as to insure the availability to the public of the benefits to be derived from the research it conducts. There is no desire, or for that matter, incentive, to utilize the monopoly power of the patent in the manner alleged by some to be practiced by industry. Further, the majority of royalty income received by the universities is utilized to sponsor additional research projects.

It is argued by some that the Federal Government should take title to inventions in order to prevent "abuses" such as the granting of exclusive licenses, the charging of unreasonable royalties and the like. In answer to this, as it relates to the academic community, I would point out that no such abuses have been documented with respect to university technology transfer activities and, further, that various agencies of the Federal Government have a clear understanding of the potential problems and have entered into agreements allocating patent rights to the institution with appropriate safeguards. For example, the Department of Health, Education and Welfare and the National Science Foundation have so-called Institutional Patent Agreements with a number of our client institutions. In these agreements, the Government exercises its responsibility to prevent abuses by requiring the advance agreement of the university to accept licensing restrictions deemed appropriate by the sponsoring Agency. For example, the Institutional Patent Agreement generally does not permit exclusive licensing, except in exceptional cases and then only for very limited periods and permits the Agency to recover title to the invention if it has not been appropriately commercialized or if licenses are being offered at unfair rates.

Quite recently, a Government-wide Institutional Patent Agreement was approved by an inter-Agency committee made up of Government people experienced in this area. I believe that this Agreement, which is now awaiting publication in the Federal Register, should be adopted by all Federal Agencies for the sake of uniformity and consistency of action.

In summary, I submit that it is in the public interest to leave title to inventions made at nonprofit research institutions with those institutions. I submit that, were the Government to take title to such developments, the potential for their licensing, transfer and marketing would be greatly diminished, if not altogether negated. I submit that the Federal Government is not in a position to effectively advocate and license these developments, since it has neither the skills nor the personnel to do so. Above all, I urge that our major American research universities be given the opportunity so far denied them by the Subcommittee, to express their views on this subject.

Sincerely yours,

L. W. MILES
President and Chief
Executive Officer

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Vice President, Research
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