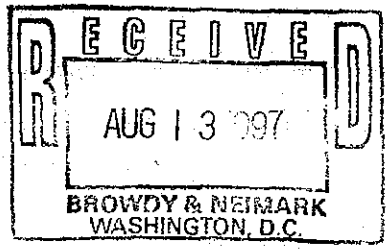
Subject: Letter for Norman J. Latker
Date: Wed, 13 Aug 1997 16:50:06 -0500
From: Dillon Mapother <mapother@ux1.cso.uiuc.edu>
To: Browdy & Neimark <brwdynmrk@nmaa.org>



To Browdy & Neiman, Law Firm:

Please deliver the letter which follows to Mr. Latker. Thank you.

Dillon Mapother, 8/13/97

Attn: Norman J. Latker, Esq.

Norman:

It has been some time since we corresponded but I have a question on which I believe you may be able to comment. It concerns the so-called Federal March-in Rights (Title 35 USC § 203).

My question is whether there exists a history of past cases where Federal research-sponsoring agencies have exercised such march-in rights to the extent of actually requiring a Contractor to grant (or granting itself) a non-exclusive license to Government-funded inventions. In principle, such action is warranted when the Contractor licenses or assigns inventions exclusively in an arrangement perceived by the sponsoring agency to be detrimental to the public interest in early commercialization. As I read the statute, the authority to act under such march-in rights rests with the Federal agency whose sponsorship provided the funding for the invention in question. What interests me now is whether the Federal research-sponsoring agencies have actually made much use of this provision.

I am aware of only two cases:

(1) The Agency for International Development (AID) raised this question with the University of Illinois in connection with a research program to develop a malaria vaccine. Without checking my files, I believe this was about 1984. The AID scientific liaison officer, Dr. James Erickson, (who turned out to be a crook and served some prison time) tried to exercise this statutory provision to make the University accept a prior commitment in its research contract with AID to license any resulting vaccine non-exclusively. This created a problem for the University since, prior to receipt of any AID funding, the University had received funding for the same vaccine development from a private pharmaceutical company. In consequence, the private company had acquired exclusive rights from the University to any resulting vaccine. I remember that AID and Dr. Erickson were very persistent in asserting this requirement but we finally managed to work something out.

(2) Quite recently, a heavy controversy between Johns Hopkins University and a private company named CellPro has been in the news. I assume you are probably familiar with the case. (If you are not, a very complete article describing all the issues is in THE CHRONICLE OF HIGHER EDUCATION, June 27,1997.) This case raises the Federal march-in rights question in an unusual way. CellPro claims that license terms offered it by a sublicensee of Johns Hopkins entail unreasonably high royalty rates. It is asserted that the excessive royalty rates are preventing CellPro from bringing a certain medical technique (based on Johns Hopkins patents) into commercial use. On this basis, CellPro has appealed to NIH to act under the Federal march-in rights to see that CellPro gets a license on terms it considers

reasonable. There are other significant aspects to this case but CellPro's appeal to the sponsoring agency to exercise its march-in rights seemed so threatening to the Association of American Universities that their President wrote a letter to the Director of NIH to urge him to deny the CellPro request. (The last I heard, NIH had not acted on CellPro's request but CellPro was recently found to be infringing Johns Hopkins' patents and ordered to pay substantial damages.)

I have not had the opportunity to investigate the extent to which Government research sponsors actually make use of their march-in rights. Can you supply the names of any sources where such information might be found? Casual rumor suggests that the agencies seldom invoke their march-in rights but I don't know whether that's an accurate perception. As a general rule, do Federal sponsoring agencies show interest in preventing restrictive licensing arrangements which are shown to inhibit the commercialization of a Government-funded technology? Do the agencies monitor such arrangements themselves or do they wait until competitors of the favored licensee (or assignee) complain to the agency and demand a non-exclusive license? If you have any information about these matters, I would like to talk to you some time at your convenience.

I would appreciate it if you would respond briefly (by e-mail or by phone to (217) 356-6284 where an answering machine listens when I'm not present) to indicate whether you have any information on this subject and, if so, if it would be convenient for me to call you to discuss it.

I retired from the University about two and a half years ago but I continue to serve as an occasional consultant to the University on intellectual property and licensing questions. The questions I've raised above were suggested by some current problems we are trying to handle.

Best regards,

Dillon Mapother
Associate Vice Chancellor for Research Emeritus
University of Illinois

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