	A				B	C
Common Stock	Shares	Date of Purchase	Shares	Date Sold	Sales Price	Book Value
Albany International	7,000	6/72	5,000	4/76		
	5,000	8/72	9,200	5/76		
	1,500	12/72				
	700	2/74				
	14,200		14,200		$ 268,932.92	$ 448,436.00
AMAX	14,000	8/74	2,100	2/76		
	6,000	3/75	22,900	3/76		
	2,000	8/75				
	3,000	10/75				
	25,000		25,000		$1,326,132.10	$1,044,243.01
American Tel. & Tel.	9,900	2/71				
	100	11/72				
	10,000		10,000	6/76	$ 546,931.70	$ 521,900.00
AMP, Inc.	2,000	8/73	2,000	11/75	53,473.91	86,452.80
Amsted Industries			15,000	5/76		
			5,000	6/76		
	20,000	3/75	20,000		$ 805,237.29	$ 570,800.00
Black & Decker			5,000	12/75		
			6,161	5/76		
	11,161	3/58	11,161		$ 268,619.34	$ 15,450.66

Common Stock	A				B	C
	Shares	Date of Purchase	Shares	Date Sold	Sales Price	Book Value
CBS, Inc.	10,500	2/75	10,000	1/76		
	2,000	4/75	4,000	2/76		
	2,500	6/75	10,000	3/76		
	3,000	7/75				
	2,000	8/75				
	4,000	9/75				
	24,000		24,000		$1,287,288.80	$1,016,519.02
Cummins Engine	1,815	1/67				
	5,082	2/67				
	3,388	3/67				
	1,815	4/67				
	6,050	2/68				
	18,150		18,150	10/75	$ 344,480.55	$ 587,408.58
Data General	3,000	10/74	3,000	11/75	$ 107,210.34	$ 42,077.99
Diamond Shamrock	10,000	5/75	11,600	2/76		
	3,000	7/75	2,700	3/76		
	1,300	8/75				
	14,300		14,300		$1,004,399.28	$ 683,540.00
Emery Air Freight	11,800	8/63				
	3,200	9/63				
	15,000		15,000	4/76	$ 604,417.25	$ 79,208.47
Gardner-Denver	7,000	9/72	14,900	11/75		
	17,900	10/72	10,000	2/76		
	24,900		24,900		$ 654,213.08	$ 689,005.33

Common Stock	A Shares	A Date of Purchase	A Shares	A Date Sold	B Sales Price	C Book Value
Hobart	6,000	7/71	20,000	10/75		
	4,000	8/71	1,000	11/75		
	11,000	10/71				
	21,000		21,000		$ 416,184.08	$ 611,210.00
MacDermid, Inc.	7,500	2/71				
	2,500	3/71				
	10,000		10,000	8/75	$ 79,754.22	$ 286,625.00
Motorola	4,000	10/73				
	5,000	8/74				
	9,000		9,000	7/75	$ 464,090.66	$ 493,394.81
Northrup King	5,000	3/74	5,000	5/76	69,140.50	129,000.00
Ohio Casualty		11/73	2,000	8/75		
			2,500	9/75		
	4,500		4,500		$ 169,500.00	$ 184,945.00
Paccar	17,000	9/72				
	3,000	10/72				
	20,000		20,000	9/75	$ 467,875.00	$ 856,754.70
Pan Ocean Oil	8,500	9/69	8,500	5/76	$ 153,000.00	$ 86,185.70
Revlon (Bought as Coburn Optical)	1,286	7/73	1,286	5/76	$ 99,688.43	$ 107,375.00
Standun	5,000	6/73	5,000	10/75	$ 19,750.00	$ 66,250.00

Common Stock	A Shares	A Date of Purchase	A Shares	A Date Sold	B Sales Price	C Book Value
Texaco	15,000	2/75				
	10,000	3/75				
	25,000		25,000	6/76	$ 678,252.25	$ 644,321.8(
WARF Vitamin Concentrates, Inc.	400	11/63-8/75	400	8/75	$ 299,030.11	$ 245,699.2(
Total Stocks					$10,187,601.81	$9,496,803.21
Subtotal Common Stock Forwarded					$10,187,601.81	$9,496,803.21
Bond - Pennsylvania Life 5% Cv. Sub. Note Due Serially 1974-83 $65,421 Par Value		8/68		7/75	$ 65,421.00	$ 65,421.0(
Bond - Metro-Goldwyn-Mayer 5% due 7/1/93		7/68		4/76	$ 139,387.50	$ 135,000.0(
Grand Total-Form 990, Line 6-Part II, Line 3-part I					$10,392,410.31	$9,697,224.21

Note: As to Item A, Securities were acquired by purchase; all purchases and sales were investment market purchases and sales through investment bankers and brokers, so that person to whom sold is not relevant, with the exception of the common stock of WARF Vitamin Concentrates, Inc., a wholly-owned subsidiary, sold to Delmark, Inc. (d) expense of selling costs is reflected directly in net proceeds from broker in appropriate column above (B). All investments are securities on which no depreciation was accumulated.

Schedule A (Form 990)
July 1, 1975 - June 30, 1976

Part IV Question 2

The Foundation is related to four subsidiaries, non-exempt, corporations through 100% stock ownership as per attached copy of letter to District Director of Internal Revenue, Milwaukee, Wisconsin, included in our Form 990T for the fiscal year ended June 30, 1976, filed September 14, 1976.

The Foundation is also related to the following non-exempt corporations:

Name	Location	Type of Relationship
Fort Dells, Inc.	Wisconsin Dells, WI	51% owned by Quadrant Corp.
Wisconsin Ducks, Inc.	Wisconsin Dells, WI	28.6% owned by Duck Trails
Endocrine Labs., Inc.	Madison, WI	100% owned by WARF Institute

Part IV Question 3

(a) On June 30, 1976, the Foundation leased certain fixed assets of a laboratory facility to WARF Institute, Inc.

(b) The Foundation was contingently liable for the guarantee of a term loan to WARF Institute, Inc. by the First Wisconsin National Bank of Madison in the amount of $3,200,000.00, which has been reduced to $2,706,679.

(c), (d), and (e) The following intercompany payments received by the Foundation are reflected in the tax return as indicated:

Recipient of Service	Amount Received by Foundation	Type of Service	Schedule in Tax Return
Dells Boat	2,000.00	Directors' Fees	990 Part II, L19A
Quadrant	2,000.00	"	" Sch. 3
Duck Trails	2,000.00	"	"
Fort Dells	1,000.00	"	"
Wis. Ducks	1,000.00	"	"
WARF Vit. Conc.	1,000.00	Management	"
WARF Institute	186,500.00	Common and Preferred Dividend	990 Part II, L3
WARF Vit. Conc.	10,302.00	Common Dividend	" L3
Dells Boat Co.	6,900.00	Preferred Dividend	" L3
Fort Dells Bonds	1,500 00	Bond Interest	" L2
Dells Boat	5,275.00	Note Interest	" L2
Duck Trails	3,310.50	Note Interest	" L2

WISCONSIN ALUMNI RESEARCH FOUNDATION

Schedule A Form 990

July 1, 1975 - June 30, 1976

Part IV Question 3d

Reimbursement of Expenses to Trustees

Name	Amount
W. O. Beers	$ 446.73
R. M. Bolz	482.80
R. F. Draper	1,402.11
D. J. Erickson	334.20
W. A. Frautschi	415.47
W. J. Hood	1,132.20
R. B. Johnson	1,669.67
W. R. Kellett	2,631.00
M. W. Krueger	1,695.66
S. Lenher	1,270.94
J. T. Lundberg	846.20
B. M. Mautz	406.73
Wm. B. Murphy	791.57
S. L. Rewey	780.25
W. J. Roper	456.73
R. E. Rowland	693.65
D. C. Slichter	630.54
	16,086.45

As explained elsewhere on Schedule 8, all the Trustees attended regular meetings during the year. Several Trustees were frequently called for consultation and special meetings.

WISCONSIN ALUMNI RESEARCH FOUNDATION

Schedule A (Form 990)
July 1, 1975 - June 30, 1976

PART IV Question 5

Disbursements by the Wisconsin Alumni Research Foundation in furtherance of its exempt program are by charter made only to the University of Wisconsin.

WISCONSIN ALUMNI RESEARCH FOUNDATION

POST OFFICE BOX 2037 • MADISON, WIS. 53701 • TELEPHONE (608) 263-2500

District Director
of Internal Revenue
Milwaukee, Wisconsin

Dear Sir:

The undersigned corporations comprise a "controlled group of corporations" within the meaning of Section 1561 of the Internal Revenue Code, as amended by the Tax Reform Act of 1969. Wisconsin Alumni Research Foundation owns 100% of the outstanding shares of each of the other corporations but is an excluded member (as defined in I. R. C. 1563 (b) (2)) except as a corporation which is subject to tax on its unrelated business taxable income under I. R. C. 511.

Each undersigned corporation, by its officer who is duly authorized to act on behalf of such corporation hereby makes the election under I. R. C. paragraph 1561 -- to divide the annual surtax exemption with respect to December 31, 1975 as follows:

Quadrant Corporation, Inc.	$25,000
Duck Trails, Inc.	0
Dells Boat Company, Inc.	0
WARF Institute, Inc.	25,000
Endocrine Laboratories of Madison, Inc.	0
	$50,000

Very truly yours,

Wisconsin Alumni Research Foundation
614 North Walnut Street
P. O. Box 2037
Madison, Wisconsin 53701
Account Number 39-0833612
Fiscal Year Ended June 30, 1976

By

Internal Revenue
Page 2

Quadrant Corporation, Inc.
P. O. Box 147
Wisconsin Dells, Wisconsin 53965
Account Number 39-6079491
Fiscal Year Ended November 30, 1976

By _____
Secretary-Treasurer

Duck Trails, Inc.
P. O. Box 147
Wisconsin Dells, Wisconsin 53965
Account Number 39-6079353
Fiscal Year Ended November 30, 1976

By _____
Secretary-Treasurer

Dells Boat Company, Inc.
P. O. Box 147
Wisconsin Dells, Wisconsin 53965
Account Number 39-0944696
Fiscal Year Ended November 30, 1976

By _____
Secretary-Treasurer

WARF Institute, Inc.
3301 Kinsman Blvd.
P. O. Box 2599
Madison, Wisconsin 53701
Account Number 39-1101660
Fiscal Year Ended December 31, 1975

By _____
Secretary-Treasurer

Endocrine Laboratories of
Madison, Inc.
979 Jonathan Drive
Madison, Wisconsin 53713
Account Number 39-0803289
Fiscal Year Ended July 31, 1976

By _____
Secretary-Treasurer

nternal Revenue
ge 3

CONTROLLED GROUP OF CORPORATIONS
CONSENT TO PLAN OF ALLOCATION OF MINIMUM TAX EXCLUSION
FOR FISCAL YEARS 1975 - 1976

	Fiscal Year	Allocation of exclusion	Signature of corporate officer and date
lls Boat Co., Inc. 9-0944696 . O. Box 147 Visconsin Dells, Wis.	November 30	None	2/11/76
edrant Corporation, Inc. 9-6079491 . O. Box 147 Visconsin Dells, Wis.	November 30	None	2/11/76
ck Trails, Inc. 9-6079353 . O. Box 147 Visconsin Dells, Wis.	November 30	None	2/11/76
docrine Laboratories of Madison, Inc. 9-0803289 79 Jonathan Drive Madison, Wis.	July 31	None	2/11/76
ARF Institute, Inc. 9-1101660 301 Kinsman Blvd. . O. Box 2599 Madison, Wis.	December 31	$30,000	2/11/76
sconsin Alumni Research Fdn. 9-0833612 14 North Walnut Street . O. Box 2037 Madison, Wis.	June 30	None	2/11/76 Vice Pres. & Asst. Sec.
Total		$30,000	

e date of the last component member of the group is February 15, 1977.

SECOND RESTATED ARTICLES OF INCORPORATION OF
WISCONSIN ALUMNI RESEARCH FOUNDATION
as of May 2, 1975

These Restated Articles are executed for the purpose of perpetuating a Wisconsin corporation under Chapter 181 of the Wisconsin Statutes without stock and not for profit, and supersede and take the place of the heretofore existing Articles of Incorporation and amendments thereto.

Article 1. The name of the corporation shall be Wisconsin Alumni Research Foundation.

Article 2. The period of existence shall be perpetual.

Article 3. The purposes for which the corporation is formed are as follows:

A. Subject to the limitations herein, this corporation is organized and shall be operated exclusively for the benefit of the University of Wisconsin.

B. This corporation is organized and is to be operated exclusively for charitable, scientific or educational purposes, including for such purposes -

(1) To promote, encourage and aid scientific investigation and research at the University of Wisconsin by the faculty, staff, alumni and students thereof, and to provide or assist in providing means and machinery by which their scientific discoveries, inventions and processes may be developed, applied and patented and by which such utilization or

disposition may be made of such discoveries, inventions and processes and patent rights or interests therein as may tend to provide funds for and to stimulate and promote further investigation and research within said University.

(2) To pay out and distribute the corporation's funds to or for scientific investigation and research at the University of Wisconsin.

(3) To use and administer gifts, grants, bequests and devises for the benefit of the University of Wisconsin.

(4) To engage in any and all lawful activities incidental to the foregoing purposes except as limited herein.

C. This corporation shall at all times be operated solely in connection with the University of Wisconsin.

Article 4. The Corporation shall have no members. The management and control of the Corporation shall reside in the Board of Trustees. The number of Trustees may be fixed by By-Law but shall not be less than seven.

Article 5. It is intended that this corporation shall continue to have the status of a corporation which is exempt from federal income taxation.

Article 6. The corporation shall be without capital stock, and no dividends or pecuniary profits shall be declared, paid to, or inure to the benefit of the Trustees thereof in their

private capacity.

Article 7. The principal office of the Corporation at the time of the adoption of these Restated Articles is Madison, Wisconsin.

Article 8. The address of the registered agent at the time of adoption of these Restated Articles is 614 North Walnut Street, Madison, Wisconsin 53705.

Article 9. The name of the registered agent at such address at the time of the adoption of these Restated Articles is Edwin O. Rosten.

Article 10. Only those persons shall be Trustees who (1) have attended the University of Wisconsin for a period of not less than two years, or (2) who are graduates of the University of Wisconsin. The Trustees shall be those qualified persons who are Trustees at the time of the adoption of these Restated Articles, and such other persons as may be elected from time to time by the Trustees. The terms and conditions governing the qualifications and selection of Trustees shall be fixed by the By-Laws.

Article 11. In case of the dissolution of the Corporation, the Trustees after paying or making provision for payment of all of the liabilities of the Corporation, shall distribute all assets of the Corporation exclusively for the aforesaid purposes of the Corporation, as the Trustees shall determine, to the University of Wisconsin, or to such organization or organizations, including trusts, organized and operated exclusively

for charitable, educational or scientific purposes, and shall at the time qualify as an organization or organizations described in Section 501(c)(3) of the Internal Revenue Code of 1954, upon the condition that such organization or organizations receiving such distributions shall apply and devote such assets exclusively for the benefit of the University of Wisconsin for the aforesaid purposes of the Corporation, provided however, that any transfer or disposition of such net assets shall be subject to the execution and performance of any trust under which its property or any part thereof may have been received or may be held.

Article 12. These Articles may be amended upon a two-thirds vote of the Trustees, but no such amendment shall change substantially the original purpose of the Corporation or the provisions of Article 11 hereof.

The undersigned officers of Wisconsin Alumni Research Foundation certify:

1. The foregoing Second Restatement of the Articles of Incorporation of said Corporation was adopted by the members on the 2nd day of May, 1975, by the following vote:

Members Entitled To Vote	Members Voting For	Members Voting Against
24	20	None

2. The original Articles of Incorporation were recorded with the Register of Deeds for Dane County, Wisconsin in Vol. 69 of Miscellaneous, at page 549.

3. Restated Articles of Incorporation were recorded with the Register of Deeds for Dane County, Wisconsin, in Volume 152 of Miscellaneous, at page 13.

Dated and seal affixed this 2nd day of May, 1975.

Robert Br. Berg
Vice-President

Secretary

This document was drafted by Attorney Frank A. Ross.

REVISED BY-LAWS
OF THE
WISCONSIN ALUMNI RESEARCH FOUNDATION

(As Amended May 2, 1975)

ARTICLE I.

MEMBERS:

Section 1. This corporation has no members.

ARTICLE II.

TRUSTEES:

Section 1. The management and control of the corporation shall reside in the Board of Trustees.

Section 2. The number of Trustees of the corporation shall be eighteen (18).

Section 3.

(a) The term of office of Trustees shall be five years, provided, however, that any Trustee other than one serving as Trustee upon October 3, 1972 shall be designated as an honorary Trustee upon attaining age 72.

(b) The Trustees may elect at any meeting persons who have had a connection with the Wisconsin Alumni Research Foundation over the history of its existence and deemed to be worthy of the honor, as honorary Trustees, in addition to the persons who become honorary Trustees by virtue of the provisions of Section 3(a) hereof.

(c) Honorary Trustees shall be entitled to attend all meetings of the Board of Trustees and shall be notified of

such meetings, but shall not be entitled to vote on any matter presented at such meetings.

(d) The office of Trustee created by an amendment of these By-Laws enlarging the number of Trustees of the corporation shall be filled at its discretion by the Board of Trustees. Vacancies due to resignation, death, or change to honorary status shall be filled at its discretion by the Board of Trustees for the unexpired term.

Section 4 The annual meeting of the Board of Trustees shall be held upon the call of the President at any time during the months of April or May of the year for which such annual meeting is to be held. Regular meetings of the Board of Trustees may be held at such time and place as shall from time to time be determined by the Board of Trustees. Special meetings of the Board of Trustees may be called by the President on five days' notice to each Trustee, either personally or by mail, telegram, or telephone. At least ten days prior to all regular meetings of the Board of Trustees, a written reminder notice thereof shall be sent by the Managing Director of the corporation to each Trustee by mail to the address furnished by such Trustee.

Section 5. Actual presence of a Trustee at any meeting shall constitute a waiver of any notice herein provided as to such Trustee.

Section 6. A quorum at the annual meeting of the Trustees, or at any regular or special meeting of the Trustees, shall

consist of a majority of the Trustees then in office.

Section 7. The Trustees may hold their meetings, whether annual, regular or special, and keep the books of the corporation within or outside the state of Wisconsin, except as otherwise provided by statute.

Section 8. The Trustees as such shall not receive any compensation for their services, but may be reimbursed for their expenses in connection with attendance at any annual, regular or special meeting of the Board; provided that nothing herein contained shall prevent any Trustee from serving the corporation in any other capacity and receiving reasonable compensation therefor. Such compensation and the capacity in which such Trustees serve, shall be reported annually to the Board of Trustees.

Section 9. The Board of Trustees shall at its annual meeting elect a President, one or more Vice Presidents, a Treasurer, one or more Assistant Treasurers, a Secretary and one or more Assistant Secretaries, and such other officers as the Board of Trustees may from time to time determine. All officers of the corporation, except Assistant Treasurers and Assistant Secretaries, shall be Trustees. The officers of the corporation shall hold office until their respective successors are chosen and qualify. Any officer elected or appointed by the Board of Trustees may be removed at any time by the affirmative vote of the majority of the whole Board.

Section 10. A Trustee may be elected to fill the office

of President of the Board of Trustees of the corporation for a maximum of four full one year terms, and after completing this tenure of office such Trustee shall be ineligible to further occupy at any future time the office of President of the Board of Trustees.

Section 11 Any action required by the Articles of Incorporation or By-Laws of this corporation, or any provision of law to be taken at a meeting or any other action which may be taken at a meeting, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Trustees or members of a Committee thereof entitled to vote with respect to the matter thereof. Such consent shall have the same force and effect as the unanimous vote, and may be stated as such in any Articles or document filed with the Secretary of State under Chapter 181, of the Wisconsin Statutes.

ARTICLE III.

OFFICERS:

Section 1. The officers of the corporation shall have such powers and perform such duties respectively as are normal to such offices or as shall from time to time be assigned to them by the Board of Trustees.

Section 2. In the absence of the President or in the event of his inability or refusal to act, the Vice Presidents in the order designated by resolution of the Board of Trustees, or in the absence of any designation, then in the order of their appointment, shall perform the duties of the President, and when so

acting shall have all the powers of and be subject to all the restrictions upon the President.

Section 3. The principal duties of the President shall be to preside over all meetings of the Board of Trustees, and to have general supervision of the affairs of the corporation.

Section 4. The principal duties of the Vice Presidents shall, in accordance with the terms of Section 2 of this Article, be to discharge the duties of the President in the event of absence or disability for any cause whatever of the latter.

Section 5. The principal duties of the Secretary shall be to countersign all conveyances, assignments and contracts executed by the corporation, affixing the seal of the corporation thereto and to such other papers as may be required or directed to be sealed, and to keep a record of the proceedings of the meetings of the Trustees, and to safely and systematically keep all books, papers, records and documents belonging to the corporation or pertaining to the business thereof.

Section 6. The principal duties of the Treasurer shall be to keep an account of all monies, credits and property of any and every nature of the corporation which shall come into his hands, and keep an accurate account of monies received and disbursed and proper vouchers for monies disbursed, and to render such accounts, statements and inventory of monies

received and disbursed and of money and property on hand, and generally of all matters pertaining to this office as shall be required by the Board of Trustees.

ARTICLE IV.

COMMITTEES:

Section 1. There shall be appointed annually by the President, subject to ratification by the Board of Trustees, the following standing committees of the Board of Trustees:

(a) Executive Committee

(b) Investment Committee

(c) Pension-Salary Committee

(d) Audit Committee

The Executive Committee shall consist of the President, Vice Presidents, Secretary and Treasurer of the corporation, and the immediate past President if serving as a Trustee.

Other standing committees shall consist of Trustees and staff members appointed by the President and each committee shall be comprised of whatever number of persons the President, in his discretion and subject to ratification by the Board of Trustees, shall determine. The President shall designate the chairman of each standing committee. The chairman of each such committee shall preside at all meetings of the committee and shall report to the Board of Trustees on behalf of the committee.

Section 2. The Executive Committee shall be entitled to exercise all the powers of the Board of Trustees when not in session, but subject to the direction thereof.

Section 3. All members of the Board of Trustees shall constitute alternate members of the Investment Committee and may be called upon by the chairman of such committee to serve in the absence of any of the regular members of such committee. The Investment Committee shall have general supervision of the investments made by the corporation and shall establish all policies relating to investments, subject to approval of such policies by the Board of Trustees. The committee shall report on its activities at the annual meeting of the Board of Trustees and at each regular meeting thereof and at such other times as requested.

Section 4. The Pension-Salary Committee shall (a) establish policies with respect to salaries to be paid employees of the corporation; and (b) shall periodically review the terms of the corporation's Pension Plan and from time to time make any recommendations to the Board of Trustees it sees fit to make, to the end that the corporation's Pension Plan will at all times be kept up to date. The Pension-Salary Committee shall make periodic reports of its activities to the Board of Trustees and also will report to the Board of Trustees when called upon by the Board.

Section 5. The Audit Committee shall review the accounting procedures and practices followed by the corporation's staff in order to make certain that the staff is following sound accounting principles and procedures in the administration of the internal affairs of the corporation. The Audit Committee within its dis-

cretion may make direct contact at any time with independent outside auditors employed by the corporation and review all audits of the corporation's books and affairs prepared by such independent auditors. The Audit Committee shall report periodically on its activities to the Board of Trustees and shall also report such activities to the Board of Trustees at any time when requested by the Board of Trustees.

Section 6. The Board of Trustees may at any time create additional standing committees with such powers and duties as the Board of Trustees may determine.

Section 7. The President may at any time create special committees with such powers, duties and membership as he may determine.

ARTICLE V.

SEAL:

The corporate seal shall have inscribed thereon the name of the corporation and the words "Corporate Seal." Such seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced.

ARTICLE VI.

FISCAL YEAR:

The fiscal year of the corporation shall be from July 1 through June 30.

ARTICLE VII.

INDEMNIFICATION OF TRUSTEES, DIRECTORS AND OFFICERS:

Section 1. Definition of Terms.

(a) "Trustee, Director, Officer or Employee" shall include any person who may have served at the request of the Wisconsin Alumni Research Foundation as a director, officer or employee of another corporation in which the Wisconsin Alumni Research Foundation owned stock or was a creditor at any time during the period of said service, and all past, present and future Trustees, officers and employees of the Wisconsin Alumni Research Foundation, whether or not so serving at the time of incurring the expenses or liabilities referred to herein, and their personal representatives.

(b) "Action" means any civil, criminal or administrative action, suit, proceeding or claim, or threat thereof, in which a Trustee, director, officer or employee may be involved as a party or otherwise, by reason of his having served as such Trustee, director, officer or employee or by reason of anything done or omitted by him as such Trustee, director, officer or employee, or alleged to have been so done or omitted.

(c) "Determination by the Board of Trustees" means a determination made by resolution by a majority vote of a quorum consisting of Trustees who were not parties to an action, suit or proceeding in which a Trustee, director, officer or employee may be involved.

32-635 O - 78 - 36

(d) "Determination by Independent Legal Counsel" means a determination in the form of a written opinion addressed to the Board of Trustees by legal counsel appointed as provided in Section 3 hereof, that indemnification of a Trustee, director, officer or employee is proper in the circumstances because he has met the applicable standards of conduct set forth in Section 2 hereof.

Section 2. Mandatory Indemnification. The corporation shall indemnify each Trustee, director, officer or employee who was or is a party or is threatened to be made a party to any threatened pending or completed action as defined herein by reason of the fact that he is or was a Trustee, director, officer of employee of the corporation, or is or was serving at the request of the corporation as a director, officer or employee of another corporation against those of his expenses specified herein and pursuant to the provisions and under the conditions of subsections (a), (b) and (c) herein

(a) Successful Defense of Action: To the extent that a Trustee, director, officer or employee of the corporation has been successful on the merits or otherwise in the defense of any action or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(b) Actions by or in the Right of the Corporation: To the extent not covered by Subsection (a) of this Section, if

a determination is made by the Board of Trustees, or, in the event that a quorum of the Board of Trustees is not obtainable, or even if obtainable, a quorum of disinterested trustees so directs, by independent legal counsel in a written opinion, that a Trustee, director, officer or employee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, he shall be indemnified against expenses, including attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of any action by or in the right of the corporation to procure a judgment in its favor; provided that (unless directed otherwise by the Court in which such action was brought), no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(c) Other Civil Actions and Criminal Actions: If a determination is made by the Board of Trustees by a majority vote of a quorum consisting of Trustees who are not parties to any action, suit or proceeding not covered by subsection (a) or subsection (b) hereof, or, if such a quorum is not obtain-

able, or even if obtainable, a quorum of disinterested Trustees so directs, by independent legal counsel in a written opinion, that with respect to such action, a Trustee, director, officer or employee of the corporation acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action that he had no reasonable cause to believe his conduct was illegal, he shall be indemnified against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement and reasonably incurred by him in connection therewith. The termination of any action, suit or proceeding by judgment, order settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the corporation and, with respect to any criminal action, had reasonable cause to believe his conduct was unlawful.

Section 3. Appointment of Independent Legal Counsel: In the event a situation arises which may give rise to indemnification under Section 2 of this Article, the Board of Trustees, by a majority vote of those Trustees not parties to the actions described in that section, whether or not a quorum, may appoint independent legal counsel to make the written determinations provided for in Sections 2(b) and 2(c) of this Article.

Section 4. Discretionary Insurance: The corporation may upon affirmative vote of a majority of its Board of Trustees, purchase commercial insurance for the benefit of a Trustee, director, officer or employee against all or any part of the expense, liabilities or settlement payments arising from actions against such Trustee, director, officer or employee, whether or not the corporation would have the power to indemnify such Trustee, director, officer or employee against such expenses or liability under Section 2 of this Article. Such insurance may, but need not, be for the benefit of all Trustees, directors, officers or employees.

Section 5. Liability for Determinations: The corporation and its Trustees, directors, officers or employees shall not be liable to anyone for making or refusing to make any payment under Sections 2(b) and 2(c) of this Article in reliance on the determination by the Board of Trustees and on the written opinion of independent legal counsel as provided in those sections.

Section 6. Other Rights: The foregoing indemnification provisions shall be in addition, and may be claimed without prejudice, to any other rights which any Trustee, director, officer or employee may have.

Section 7. Advance Payment of Expenses: Expenses incurred by a Trustee, directors, officer or employee in defending an action may be paid by the corporation in advance of the final disposition of such action if (a) there has been a determination by the Board of Trustees as herein provided or by independent legal counsel appointed pursuant to Section 3 of this Article

VII that such person has met the applicable standard of conduct set forth in Section 2 hereof; and (b) such person gives a written undertaking to repay the amount advanced unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation.

ARTICLE VIII.

DISTRIBUTIONS:

In the distribution of the net income of the Foundation, priority will be given to grants for the support of scientific investigation and research in the University of Wisconsin at Madison.

ARTICLE IX.

AMENDMENT OF BY-LAWS:

These By-Laws may be amended, altered or repealed at any annual, regular or special meeting of the Board of Trustees, providing that notice of the proposed amendment be given in writing to all of the Trustees at least five days before such meeting.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

December 22, 1977

OFFICE OF THE
GENERAL COUNSEL

TO: Holders of NEW Institutional Patent Agreements and Members of the Society of University Patent Administrators

SUBJECT: Information Item No. 59

This is to advise that it is our understanding that the record of the Nelson hearings brought to your attention by Information Item No. 58 will be open for twenty-one days starting on December 21, 1977.

Any comments you wish to make in regard to the release or the subject matter of the hearings should be addressed to the following Senators who are members of the Senate Select Committee on Small Business:

Gaylord Nelson, Chairman, Wisconsin

Thomas McIntyre, New Hampshire

Sam Nunn, Georgia

William D. Hathaway, Maine

Floyd K. Haskell, Colorado

John C. Culver, Iowa

Lowell Weicker, Connecticut

Dewey S. Bartlett, Ohio

Bob Packwood, Oregon

also William Chirkasky, Executive Director of the Committee.

Norman J. Latker

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

February 22, 1978

OFFICE OF THE
GENERAL COUNSEL

To: Holders of HEW Institutional Patent Agreements and Members of the Society of University Patent Administrators

Subject: Information Item No. 60

Enclosed for your information is a copy of the presentation I made before the Society of University Patent Administrators, Third Annual Meeting, February 6, 1978, in Atlanta, Georgia.

Sincerely yours,

Norman J. Latker
Patent Counsel

Enclosure

PRESENTATION BEFORE

SOCIETY OF UNIVERSITY PATENT ADMINISTRATORS

THIRD ANNUAL MEETING

MONDAY

FEBRUARY 6, 1978

ATLANTA, GEORGIA

BY

NORMAN J. LATKER
Patent Counsel
Department of Health, Education, and Welfare

Selecting a topic for presentation for this occasion has been particularly difficult. Why seems clear when looking at the churning policy pronouncements emanating from different focal points in Washington.

For example, note the following statements from the State of the Union Address and Assistant Attorney General Shenefield in his recent testimony before the Nelson hearings on Government Patent Policy

In the State of the Union Address the President indicated:

> "We should rely on the private sector to lead the economic expansion and to create new jobs for a growing labor force."

Further,

> "We need to realize that there is a limit to the role and function of Government ... Government cannot eliminate poverty, reduce inflation, save our cities,

cure illiteracy, provide energy, or mandate goodness. Only a true partnership between Government and the people can hope to reach these goals. Those who govern can sometimes inspire, and we can identify needs and marshal resources, but we cannot be the managers of everything and everybody."

Later he indicated that:

"Private business, not the Government, must lead an effort toward economic expansion."

He suggested that this would be accomplished through at least:

"strong additional incentives for business investment through additional cuts in corporate tax rates and improvements in the investment tax credit."

(Government funded patents not listed.)

In addition to the comments from the State of the Union Address, the President has indicated himself on many occasions a foe of needless rules, regulations and paperwork.

Now consider from his presentation before Senator Nelson how Mr. Shenefield would implement these concepts:

In the main he would as a general policy retain ownership of all inventions generated with Government funding. In support of this policy he indicates that he is:

"not aware of any convincing showing that exclusive rights in Government-financed inventions need be granted to contractors in order to induce them to accept

Government R&D contracts, which themselves confer many benefits beyond the simple contract price."

Further, Mr. Shenefield indicates:

"A major rationale for a 'license' policy is allegedly to facilitate commercialization of these inventions. We do not believe that a factual basis exists for the belief. In fact, we do believe that available evidence is to the contrary." (Emphasis added.)

It is doubtful that there is a single member of this Society who has operated in the area of Government patent policy who would agree with Mr. Shenefield's statements as being generally accurate. In fact, those of you with the greatest operating experience would deem them to be in direct conflict with fact and a denial of your very existence. But more important - how can it be reasonably argued that Mr. Shenefield's philosophy will lead to the kind of partnership with the private sector leading to economic expansion and elimination of needless rules, regulations and paperwork envisioned by the President. The answer to most would seem obvious - the implementation contradicts the goals espoused. In addition to Mr. Shenefield's position, there is a growing indication emerging at DHEW that elements of the Department support the Shenefield position at least in situations involving case-by-case waiver requests, thus adding to my personal concern in determining the direction of policies in this area.

My office had made available to all the members of the Society the December 9, 1977 press release by Senator Nelson announcing his intent to conduct hearings on Government patent policy on December 19-21, 1977. The release and the witness list indicated that the hearings would result only in a conclusion supporting Government ownership of inventions generated with its funding (and of course they did). One would wonder then why the hearings were necessary if a conclusion on its findings had already been reached?

It is clear both from the release and the testimony that Senator Nelson was well aware of the progress that was being made toward policies nurtured and supported by this Society and, in particular, their adoption in the form of H. R. 8596 (the Thornton Bill). It is also clear from the release and the testimony that it was the intent of these hearings to undermine this progress. If it can be said that an organization is known by its enemies, you are indeed confronted by an array of powerful individuals.

When reviewing the testimony of these individuals, it is evident that the philosophy of Government ownership is primarily supported by one single argument - that ownership in the contractor of Government financed inventions is anti-competitive, as it promotes industrial concentration. I believe objective review indicates otherwise.

A strong argument can be made that allowing contractors and grantees to retain patent rights will tend to promote competition,

whereas if the Government adopts a policy of normally dedicating the invention to the public or licensing on a nonexclusive basis, concentration and monopoly will be enhanced. The proposition that title in the contractor can lead to concentration is very much dependent upon the assumption of a competitive marketplace in which all concerns start with equal capacities. In fact, many industries are currently oligarchial in structure and do not fit the model of pure competition. When this is the case, the retention of rights in the Government and a policy of nonexclusive dedication or licensing tends to serve the interests of the dominant firms for whom patent rights are not normally a factor in maintaining dominance. Rather, control of resources, extensive marketing and distribution systems, and superior financial resources are more important factors in maintaining dominance and preventing entry of new firms and ideas. It is important to note that dominant firms may well be foreign based and dominate due to subsidization by their governments, making the inadequacies of a policy of normally licensing on a nonexclusive basis or dedicating even more pronounced. No one should agree that the Government should be conducting R&D and permitting the results to enure to the benefit of foreign governments willing to subsidize development of ideas placed into the public domain by our Government to the detriment of our own economy.

On the other hand, smaller firms in an industry and firms requiring pre-market clearance by the Government must by necessity rely on a

proprietary position in new innovations and products in order to protect their investment in foreign and domestic markets. Thus, patent rights tend to be a much more significant factor affecting their investment decisions. They may need the exclusivity of patent rights to offset the probability that a successful innovation will lead to copying by a dominant firm which would soon undercut their position through marketing, financing, and other commercial techniques. Accordingly, nonexclusive licensing or dedication may in fact be anti-competitive, since it encourages the status quo by discouraging promotion of innovations which displace old technology. Also, it is clear that the Government can determine with whom it wishes to contract and rule out contracts to firms it deems to be dominant if deemed appropriate.

Further, there is a growing number of experts in the field of anti-trust law that question the thesis that oligopolies are per se anti-competitive. There seems to be no question that some industries dominated by oligopolies are as competitive and efficient as would be expected if otherwise occupied by a large number of small firms. Some examples noted by experts are the auto, steel and cereal industries. To extend this doubtful thesis into the area of Government patent policy appears to be a case of overreaching on the part of the anti-trust division. This overreaching is further evidenced by indications that anti-trust personnel view patents as monopolies.

The classic definition of monopoly involves a group of individuals who join to take away something that exists in nature and was susceptible

to ownership by everyone. Patents, to the contrary, cover embodiments of novel ideas that never existed and, therefore, cannot be presumed to take anything from the public, but are in fact enlarging the alternative products available to the public. This is supported by some case law holding that concentration based on internal scientific research and development is not an anti-trust violation.

Review of the Nelson testimony and the knowledge that that forum was denied to many who might have brought the problems of this area into clearer focus reminded me of the following observation by Edmund Burke:

> "Because half-a-dozen grasshoppers under a fern make the field ring with their importunate chink, whilst thousands of great cattle, repose beneath the shadow of the British Oak, chew the cud and are silent, pray do not imagine that those who make the noise are the only inhabitants in the field."

I'm delighted to know that the members of the Society made an extra effort to indicate that they will not remain silent and are "inhabitants in the field." From the number of copies of letters received in my office in opposition to the ideology expressed in Senator Nelson's press release and the media'a apathy to Senator Nelson's indignant remarks indicate that the public may have moved past the time when a simplistic cry of Government "give-away" generates the knee-jerk reaction characteristic of the 1960's.

While it is clear that the Nelson hearings have provided by their abrasive and bias nature an unexpected ability and sincere desire on the part of many to both explain and listen to the patent philosophy shared by this Society, I must advise that some policymakers less sophisticated with the stakes involved have indicated a degree of temerity about proceeding in clarifying the area.

These "stakes" were more dramatically spelled out in Senator Nelson's press release than I ever could hope to explain. Senator Nelson is probably correct in indicating that the Government is now funding two-thirds of the country's research. He does not explain that this is in many situations "seed money" that generates ideas and inventions which must be developed at private expense or left indefinitely undeveloped. He then continues that on the basis of Government funding of those ideas and inventions they should be Government owned. Now presuming that the percentage of Government funding increases to 70, 80, or even ultimately 100% and we are correct in maintaining that patent rights are a primary factor in obtaining commitment of private resources for development of Government funded inventions, does not the Government then control whether most new ideas are developed or not? Is not the control of development of all ideas the ultimate regulation and supports Henry Ford II's recent admonition that the Government's growing web of industrial regulations is fast bringing us to a point where only the largest companies can survive? Was it the intention of the framers of the Constitution

that the patent system they generated would disappear because it is touched by Government funding? How does Senator Nelson envision that our industry will protect itself from foreign competition in new areas of high technology, an area which now positively and heavily contributes to our balance of payments?

Senator Nelson, admitting that while there may be an "occasional situation where commercial use and exploitation of worthwhile inventions is discouraged by the need for a substantial investment in promotion, development and experimental work, with the attendant risk of loss," indicates that rather than surrendering any exclusive rights in exchange for this work supports the thesis that "the Government should finance such operation, in whole or in part, to demonstrate or prove the commercial value of the invention."

If such a policy were to become effective either administratively or through law, it seems clear that the industrial sector's effectiveness in sensing the needs of our society in introducing new technology to meet such needs would be severely impacted, starting our country down a long road to mediocrity.

32-635 O - 78 - 37

Filed 314

UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION

Federal Supply Service
Washington, DC 20406

July 23, 1976

Dear Sir:

This proposed amendment of the Federal Procurement Regulations (FPR) which is enclosed is forwarded to you for consideration in your capacity as a member of the Interagency Procurement Policy Committee.

The proposal concerns Subpart 1-9.1, Patents, and involves the addition of provisions dealing with Institutional Patent Agreements with educational and other nonprofit institutions having a technology transfer program meeting specified criteria.

An ad hoc subcommittee of the Committee on Government Patent Policy developed the proposal and it has the approval of the full Committee.

In view of the action by the Committee, it is now appropriate to solicit formal agency views. It would be desirable, of course, for your agency's patent counsel to be involved in this matter.

I would like to receive your views on the proposal, in duplicate, by September 18, 1976. Questions should be directed to Mr. Norman Latker (496-7056).

Sincerely,

Philip G. Read

PHILIP G. READ
Director of Federal Procurement Regulations

Enclosure

Printing Job 76-11193 Attn: Ms. Kemp rm. 2662
FPR-D List (As of 7-21-76)
FOR NEW ADDRESSOGRAPH PLATES - PLEASE DESTROY ALL OLD FPR-D ADDRESSOGRAPH PLATES

INTERAGENCY PROCUREMENT POLICY COMMITTEE
MAILING LIST

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UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION

Federal Supply Service
Washington, D.C. 20406

AUG 3 1976

IDENTICAL LETTERS SENT TO AN INDUSTRY LISTING THAT WAS SPECIALLY DEVELOPED FOR THIS PROPOSAL (FPR AMENDMENT) (COPY OF ADDRESSEES ATTACHED)

Mr. Neil Mulcahy
Pharmaceutical Manufacturers Association
1155 - 15th Street, N.W.
Washington, D.C. 20005

PATENT BRANCH, OGC
DHEW
AUG 4 1976

Dear Mr. Mulcahy:

The Federal Procurement Regulations (FPR) are prescribed by GSA and are applicable to the procurements of civilian executive agencies. The entire regulation is republished annually by the Office of the Federal Register in a paper-back volume (Chapter 1, Title 41, Code of Federal Regulations).

A proposed amendment concerning patents has been developed (copy enclosed) which we would like to bring to your attention. The proposal concerns Subpart 1-9.1, Patents, and involves the addition of provisions dealing with Institutional Patent Agreements with educational and other nonprofit institutions having a technology transfer program meeting specified criteria.

An ad hoc subcommittee of the Committee on Government Patent Policy, Federal Council for Science and Technology, developed the proposal, and it has the approval of the full Committee.

If this is a matter of interest to your organization, I would appreciate your views on the proposal, in duplicate, by October 8, 1976. Questions should be directed to Mr. Norman Latker, Patent Council, Westwood Building, Room 5A03, c/o National Institutes of Health, Bethesda, Maryland 20014 (301/496-7056).

Sincerely,

Philip G. Read
(Signed)

copies to: Mr. Norman Latker
Mr. O. A. Newman

PHILIP G. READ
Director of Federal Procurement Regulations

2 Enclosures

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letter 8/5/76 314

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American Dental Assoc.
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Executive Director
Indianapolis Center for
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Suite 103
Indianapolis, Indiana 46202

Mr. David A. McBride
Director
Office of Research and
Project Administration
University of Rochester
Rochester, New York 14627

Dr. Philip Sperber
Chairman, Legislative Affairs
Committee, L.E.S.
Davitron, Inc.
290 Avenue of the Americas
New York, New York 10019

Mr. Louis Wolk
Chairman, ABA Committee 105
Patents, Trademarks, and
Copyright Section
99 Park Avenue
New York, New York 10016

1

NJL

UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION

Federal Supply Service
Washington, DC 20406

NOV 10 1976

PATENT BRANCH, OGC

NOV 15 1976

Mr. Norman Latker
Patent Council
Westwood Building, Room 5A03
National Institutes of Health
Bethesda, Maryland 20014

Dear Mr. Latker:

The responses received from agencies and industry on your proposed amendment to Subpart 1-9.1, Patents, of the Federal Procurement Regulations regarding institutional patent agreements are forwarded, as requested, for your evaluation and use in preparing a revised proposal.

Sincerely,

Phil

PHILIP G. READ
Director of Federal Procurement Regulations

Enclosures

32-635 O - 78 - 38

RESPONSES RECEIVED BY AGENCIES AND INDUSTRY ON PROPOSED AMENDMENT TO SUBPART 1-9.1, PATENTS, OF THE FEDERAL PROCUREMENT REGULATIONS

Agency	Date
National Aeronautics and Space Adm.	9/27/76
Department of Defense	9/28/76
Department of Housing and Urban Developmt.	9/17/76
Department of the Treasury	9/21/76
Small Business Administration	9/17/76
U.S. Information Agency	9/21/76
Department of Justice, Civil Division	9/17/76
Agency for International Development	9/17/76
Department of the Interior	No date
Department of the Interior, Office of the Solicitor	9/3/76
Library of Congress	9/13/76
Veterans Administration	9/21/76
Panama Canal Company	9/20/76
Energy Research & Development Adm.	9/20/76
Department of Justice	9/17/76
Department of Agriculture	9/21/76
Department of State	9/15/76
Federal Communications Commission	8/25/76
Department of Transportation	11/1/76

Industry	
Michigan Technological University	10/21/76
University of Minnesota	10/7/76
New York University	10/7/76
Cornell University	10/8/76
Colorado State University	10/7/76
The University of Connecticut	10/5/76
American Patent Law Association	10/21/76 2nd response
The University of Georgia	10/5/76
Purdue Research Foundation	10/6/76
Society of University Patent Adm.	10/5/76
The Pennsylvania State University	10/1/76
National Assoc. of College & University Business Officers	9/28/76
Pharmaceutical Manufacturers Assoc.	9/29/76
Aerospace Industries Association of America, Inc.	9/27/76
University of Washington	9/23/76
Research Triangle Institute	9/10/76
Stanford University	9/8/76
Council of Defense & Space Industry Assoc.	9/14/76
The University of Rochester	8/31/76

NOV 9 1976

Industry (continued	Date
Rutgers	8/10/76
American Patent Law Association	8/4/76 1st response
Wisconsin Alumni Research Foundation	9/17/76
California Institute of Technology	8/17/76
University of California	8/16/76
American Society of Civil Engineers Construction Division	8/18/76
Washington University, St. Louis	8/17/76
Massachusetts Institute of Technology	9/13/76
University of Virginia	9/22/76
Michigan State University	9/17/76
~~The University of Rochester, Medical Ctr.~~	~~8/31/76~~ ok.
Battelle Memorial Institute	10/4/76
United States General Accounting Office	11/12/76
Research Corporation	9/24/76
Stanford Research Institute -	8/12/76
Washington State U.	10/5/76
EPA	11/15/76

(36)

56 responses

314

NASA
National Aeronautics and
Space Administration
Washington, D.C.
20546

SEP 27 1976

Reply to Attn of: HP

Mr. Philip G. Read
Director of Federal Procurement Regulations
Federal Supply Service
General Services Administration
Washington, DC 20406

Dear Mr. ~~Read~~, Phil

This is in response to your letter of July 23, 1976, requesting our comments on a proposed amendment to Subpart 1-9.1, Patents, of the Federal Procurement Regulations, which involves the addition of provisions concerning Institutional Patent Agreements with educational and other nonprofit institutions.

Although we have no objection to the proposed Institutional Patent Agreement for use by other agencies, when appropriate, it is not applicable to NASA because of our statutory patent requirements and the patent waiver policies developed thereunder. NASA could, however, give consideration to any qualifying institution under an Institutional Patent Agreement when reviewing patent waiver requests.

We appreciate the opportunity to comment on the proposed amendment to the Federal Procurement Regulations.

Sincerely,

Neil

J. O'Neil Mackey, Jr.
Deputy Assistant Administrator
for Procurement

314

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

INSTALLATIONS AND LOGISTICS

28 September 1976

Mr. Philip G. Read
Director of Federal Procurement Regulations
General Services Administration
Washington, D. C. 20406

Dear Mr. Read:

This will acknowledge your letter of 23 July 1976 requesting comments on the proposed amendment of Subpart 1-9.1 relating to Institutional Patent Agreements.

Attached for your evaluation and consideration is the Patents Subcommittee report of 9 September 1976 on the proposed amendment. This report is considered self-explanatory and concludes that the proposed Institutional Patent Agreements coverage is appropriate for inclusion in ASPR with the attached, suggested editorial changes.

Sincerely,

T. E. Cassidy
for THOMAS F. BLAKE, JR.
Colonel, USAF
Chairman, ASPR Committee

Attachment
as stated

DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
ARLINGTON, VIRGINIA 22217

IN REPLY REFER TO
303:RTG:sm
9 Sep 1976

MEMORANDUM FOR CHAIRMAN, ASPR COMMITTEE

SUBJECT: ASPR Case 76-120, Institutional Patent Agreements

I. PROBLEM:

To review the proposed amendment to Subpart 1-9.1 of the Federal Procurement Regulations relating to Institutional Patent Agreements and provide the ASPR Committee with comments thereon together with a proposed letter to the General Services Administration (GSA) for the Chairman's signature.

II. RECOMMENDATION:

1. The Institutional Patent Agreement proposed by GSA is appropriate in concept for inclusion in ASPR.

2. Before incorporating the Institutional Patent Agreement into ASPR, DOD should wait until GSA has received all comments on the proposed amendment to Subpart 1-9.1 and has prepared a final version of the proposed amendment.

3. When a final version has been prepared, DOD representatives should meet with GSA representatives to coordinate the incorporation of the Institutional Patent Agreement into ASPR. The procedures for the use of Institutional Patent Agreements as set forth in the proposed amendment to Subpart 1-9.1 will possibly have to be revised somewhat before incorporation into ASPR to reflect the DOD organizational structure and to accommodate DOD contracting procedures.

4. Certain editorial changes should be made in the proposed Institutional Patent Agreement to eliminate ambiguities and typographical errors therein as well as to enhance the readability thereof. Such changes will also shorten certain portions of the proposed Institutional Patent Agreement. These editorial changes are illustrated in TAB A.

III. DISCUSSION:

1. The Subcommittee considers Institutional Patent Agreements to be appropriate for use in DOD contracts and can visualize no problems of an unusual nature that might arise from their use. The proposed Institutional Patent Agreement in concept is considered to be sound.

303:RTC:sm

SUBJECT: ASPR Case 76-120, Institutional Patent Agreements

2. The procedures or instructional material in ASPR for incorporating Institutional Patent Agreements into DOD contracts may have to assume a form slightly different than the procedures appearing in the proposed amendment to subpart 1-9.1 but such procedures can best be written after the final version of the proposed amendment has been prepared. In particular, the proposed procedures appearing on pages 1, 2, and 3 of Subpart 1-9.1 may have to be modified in a suitable manner when incorporated into ASPR. Such procedures may have to be modified to recite that the Office of Naval Research will be assigned the responsibility for administrating Institutional Patent Agreements for DOD and that Institutional Patent Agreements will be incorporated into DOD contracts by reference.

3. The editorial changes in the proposed Institutional Patent Agreement are illustrated and explained in TAB A.

4. A proposed letter to GSA is attached as TAB B.

5. All members of the Subcommittee concur on the comments set forth herein.

PATENTS SUBCOMMITTEE

Robert T. Crawford

ROBERT T. CRAWFORD, Chairman, ONR, Navy
M. C. FREUDENBERG, DSA
LT. COL. H. M. HOUGEN, DAJA-PA, Army
F. A. LUKASIK, AFSC/JAT, Air Force
M. S. POSTMAN, AF/JACF, Air Force
L. ROSS, NAVMAT, Navy

TAB A
Case 76-120

EDITORIAL CHANGES IN THE PROPOSED
INSTITUTIONAL PATENT AGREEMENT

1. Page 4, second WHEREAS clause, rewrite the clause to read:

> WHEREAS, the Institution is desirous of entering into an agreement whereby it may retain the entire right, title, and interest in and administer inventions made in the course of or under research supported by the Agency, subject to certain rights acquired by the Government;

This change eliminates a typographical error and also enhances the readability of the clause by placing the words "subject to certain rights acquired by the Government" at the end of the WHEREAS clause.

2. Page 4, Scope of Agreement, rewrite the first sentence to read:

> This Agreement defines the rights of the parties hereto regarding the allocation of rights in Subject Inventions reported after the date of this agreement and made under contracts entered into prior to _____ 3/, except contracts specifically excluded by the Agency.

This change clarifies the meaning of the first sentence. The sentence as it currently appears in the proposed Institutional Patent Agreement includes the words "prior to" and "any future contract". These words create an ambiguity concerning the applicability of an Institutional Patent Agreement to contracts awarded prior to the effective date of the Institutional Patent Agreement and to the reporting of inventions under such contracts. The substitute words "except contracts specifically excluded by the Agency" clarify the meaning of the sentence. In rewritten form, the sentence can clearly be construed to mean that an Institutional Patent Agreement will be applicable to contracts awarded prior to the effective date of the Institutional Patent Agreement, unless the prior contracts are amended to specifically exclude the applicability of the Institutional Patent Agreement.

3. Page 5, paragraph (e), line 4, delete "Agnecies" and substitute "Agencies".

This change corrects a typographical error.

4. Page 5, Allocation of Principal Rights, paragraph (a), line 7, delete the word "of" and substitute "to"; line 9, delete the word "any" and substitute "an".

These two changes also correct typographical errors.

5. Page 7, Minimum Rights Acquired by the Government, paragraph (c), rewrite the first sentence to read:

> Notwithstanding section III (a) or any other provisions of this agreement, the Institution agrees to license or assign Subject Inventions as directed by the Agency to comply with the terms of any applicable international agreement.

This change substantially shortens the first sentence of paragraph (c) and considerably enhances the readability thereof.

6. Page 8, Invention Identification, Disclosures, and Reports, subparagraph (a)(i), rewrite the last sentence of the subparagraph to read:

> Such disclosure shall be furnished directly to the Agency even though there are requirements under the contract for the submission of other reports which may reference or disclose the Subject Invention.

This change shortens the sentence and also enhances the readability thereof. The change also eliminates the words "progress or financial" and substitutes the word "other".

7. Page 12, Patent Rights Clause, paragraph (c) at the top of the page, rewrite the first six lines to read:

> The Contractor shall include in any subcontract either this clause or the "Patent Rights - Acquisition by the Government" clause found in 41 CFR 1-9.107-5 if a purpose of the subcontract is experimental, developmental, or research work. If a subcontractor refuses to accept either

This change shortens the first six lines and also clarifies the meaning of the paragraph. The words "Except as provided below" were intentionally deleted. It is difficult to determine what is meant by the words "provided below". The words "provided below" could be construed as referring to subject matter within the same paragraph or could also be construed as referring to subject matter set forth in paragraph (b) on page 12. It will be noted that paragraph (b) on page 12 is not part of the Patent Rights Clause.

314

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY
FOR ADMINISTRATION

September 17, 1976

IN REPLY REFER TO:
ACC-S

Mr. Philip G. Read
Director of Federal Procurement
Regulations
General Services Administration
Washington, D. C. 20406

Dear Mr. Read:

This letter is in response to your inquiry of July 23, 1976, requesting our comments on a proposed amendment to 41 CFR 1-9.1, Patents.

We support such an amendment to the FPR which includes provisions relating to Institutional Patent Agreements with educational and other nonprofit institutions having a technology transfer program meeting specified criteria. Thank you for the opportunity to comment on this matter.

If we can be of further assistance, please let us know.

Sincerely,

Thomas R. Whittleton

Thomas R. Whittleton
Director
Office of Procurement
and Contracts

OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

SEP 21 1976

Mr. Philip G. Read
Director of Federal Procurement Regulations
Office of Procurement Management
General Services Administration
Washington, D.C. 20406

Dear Mr. Read:

This is in response to your letter dated July 23, 1976, requesting our review of a proposed amendment to Subpart 1-9.1, Patents, of the Federal Procurement Regulations.

The Department of the Treasury concurs in the proposed amendment to the Federal Procurement Regulations.

Thank you for giving us the opportunity to comment.

Sincerely,

Thomas P. O'Malley
Assistant Director
Office of Administrative Programs
(Procurement and Personal Property Mgt.)

U.S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Sept. 17, 1976

Mr. Philip G. Read
Director
Federal Procurement Regulations
General Services Administration
Washington, D.C. 20406

Dear Mr. Read:

This is in response to your letter of July 23, 1976 relative to the proposed changes to the FPR in regard to Institutional Patent Agreements. From both a legal and program viewpoint, we have no objection to the proposed change to Section 1-9.107-4 (a) or the new Section 1-9.109-7. We concur as proposed.

Sincerely,

R. F. McBermott, Director
Office of Procurement and
Technology Assistance

USIA
UNITED STATES
INFORMATION AGENCY
WASHINGTON 20547

September 21, 1976

Dear Mr. Read:

It is not anticipated that the proposed amendment of Federal Procurement Regulations, Subpart 1-9.1 dealing with Institutional Patent Agreements with educational and nonprofit institutions having a technology transfer program would have applicability tosany Agency contracts. However, we have reviewed the revision and have found it to be acceptable.

Thank you for the opportunity to review and comment on this proposed amendment.

Sincerely,

James T. McIlwee

James T. McIlwee
Chief
Contract and Procurement Division

Mr. Philip G. Read
Director, Federal Procurement Regulations
Office of Federal Management Policy
General Services Administration
Washington, D. C. 20406

Assistant Attorney General
Civil Division

Department of Justice
Washington 20530

19 SEP 1976

Mr. Philip G. Read
Director of Federal
Procurement Regulations
General Services Administration
Washington, D. C. 20406

Re: Proposed Amendment to FPR Concerning Educational and Nonprofit Institutions

Dear Mr. Read:

This is in response to your letter of July 23, 1976 requesting the views of the Department of Justice on a proposed amendment of the Federal Procurement Regulations. The amendment would add provisions relating to "Institutional Patent Agreements" with educational and nonprofit institutions.

The thrust of the amendment is that educational and nonprofit institutions which meet certain criteria would be permitted to keep title to inventions growing out of Government research and development contracts, subject to (1) specified march-in rights with respect to those inventions, and (2) a royalty-free license in the Government. To carry out the policy, the proposal would provide in the FPR a form of agreement entitled "Institutional Patent Agreement."

We believe that the proposal appears reasonably acceptable as a limited experiment with a "title in the institution" approach.

We suggest the following modifications in the draft proposal:

(1) In subpar. 3(c)(1)(C), page 2, line 3 - change "or" to "and." This change would make the agreement contain the requirement that licensing by the institution will normally be nonexclusive except where the desired practical or commercial application has not been achieved and is not likely to be expeditiously achieved through such licensing. This change will provide a stricter standard for other than nonexclusive licensing and will eliminate the alternative choices provided by the present structuring. Non-achievement of the desired application can be readily identified, but the alternative provided by the present wording would appear less susceptible of ascertainment and conducive to subjective decision. The existing choice between alternatives may invite resort to the less demanding test of unlikelihood of expeditious achievement as grounds for departure from the normal licensing called for. The weakness of the current language is that it forecloses nonexclusive licensing in the situation where the desired practical or commercial application could, in fact, have been expeditiously achieved contrary to the impression at time of licensing.

(2) Page 7, subpar. (b) - We urge that a "march-in" right in the Government be spelled out with respect to antitrust principles. Such right should be absolute and not subject to the provisions of IV(b)(A) and IV(b)(B). Although march-in for competitive reasons could be achieved under the present language of IV(b), such right would not be absolute. The urged addition could provide for the exercise of "march-in" rights "should the Government determine that the retention of principal or exclusive rights by the Institution will tend substantially to lessen competition or to result in undue concentration in any section of the country in any line of commerce to which the technology involved relates, or to create or maintain other situations inconsistent with the antitrust laws." A similar "march-in" provision is included in the proposed draft bill on Government Patent Policy emanating from the Committee on Government Patent Policy this year. The quoted antitrust standard is from the Federal Nonnuclear Energy Research and Development Act of 1974.

(3) Page 13, subpar. (b) - The periods prescribed regarding exclusive licensing should not be subject to extension; indeed, we believe that the maximum periods should be less than those in the proposed regulation.

We have noted the following typographical errors:

(1) Page 4, 2nd "WHEREAS" clause, line 2 - "and entire right" should read "an entire right."

(2) Page 5, subpar. (a), line 4 - letters transposed in "agencies."

(3) Page 5, subpar. (a), line 7 - letters transposed in "to."

(4) Page 5, subpar. (a), line 9 - "any" should read "an."

Sincerely,

IRVING JAFFE
Deputy Assistant Attorney General
Civil Division

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

September 17, 1976

Mr. Philip G. Read
Crystal Square
Building 5
Room 1107
Washington, D.C. 20406

Dear Mr. Read:

This is in response to your letter of July 23, proposing an amendment to FPR 1-9.1, Patents, and related to Institutional Patent Agreements and certain institutions having technology transfer programs.

General circulation was provided to procuremnt, legal and other offices that would be involved, and the following comments were received:

1. On page 4, "Institutional Patent Agreement", the first "and" in the second line of the second "whereas" does not seem to be the right word. Perhaps "an" was intended.

2. The pertinent contract office has expressed concern about Clause XIII. Termination (page 15,), and does not agree with giving the right to terminate for convenience to both parties.

Subject proposal was otherwise regarded favorably overall, and approval was recommended.

Sincerely,

Joseph C. Watkins

Joseph C. Watkins
Chief
Support Division
Office of Contract Management

32-635 O - 78 - 39

314

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

Mr. Philip G. Read
Director of Federal Procurement Regulations
Federal Supply Service
General Services Administration
Crystal Square #5, Room 1107
Washington, D.C. 20406

Dear Phil:

Enclosed herein are comments in reply to your letter request of July 23, 1976, with respect to a proposed amendment to Subpart 1-9.1, of the Federal Procurement Regulations. The comments have been prepared by patent counsel within our Office of the Solicitor, as requested in your letter.

Sincerely,

William S. Ogden

Acting Assistant Director for Procurement

Enclosure

cc: SOL

Save Energy and You Serve America!

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

SEP 3 1976

Memorandum

To: Assistant Director for Procurement
Office of Management Services

From: Assistant Solicitor-Procurement
Division of General Law

Subject: Proposed Amendment to the Federal Procurement Regulations (FPR)--Institutional Patent Agreement

This is in response to your request for comments regarding the above referenced proposed FPR revisions.

A major concern about the proposed provisions would be that the Government should be assured to the greatest extent possible that inventions are promptly and effectively put into production and marketed if the Government is to allow the retention of principal or exclusive rights by educational or nonprofit institutions. Because such institutions do not typically have production and marketing facilities or established commercial channels, the risk that inventions developed under the proposed institutional patent agreements would not be successfully marketed is considerably greater than in the case of a commercial contractor. To minimize this risk under the proposed revision, we suggest the following changes and additions:

1. Proposed section 1-9.107-6(c)(1)(D) should set a definite time limit on the exclusive licenses, but with provisions for allowing the contracting officer to extend the period for an individual contract if he makes a well supported determination that an extension is warranted. The length of the allowable extension should likewise be limited.

2. Proposed section 1-9.107-6(c)(1)(G) should give the Government more discretion in excepting individual contracts or grants from the operation of the agreement. The Government should not have to make an affirmative

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

showing regarding the "public interest" in order to except a contract, but should have discretionary authority to review each contract on its merits and elect whether or not to place the contract under the agreement.

3. Sections III(b)(ii) and III(c)(iii) of the "standard institutional patent agreement" set out under section 1-9.107-6(c)(2) should define what constitutes a "decision" not to continue prosecution of a patent application. Inaction for a specified length of time without adequate explanation should be deemed to constitute such a decision.

4. Section VI(a) of the "standard institutional patent agreement" should provide that when the agency prescribes a period shorter than 6 months for the filing of a patent application, this shorter period shall end no later than 30 days prior to the running of the statutory period. As presently worded, the section might be construed as providing that the shorter period could end no earlier than 30 days before the end of the statutory period.

5. Section III(a) of the "standard institutional patent agreement" should provide that in deciding whether to grant an extension on the institution's time for making its election, the Government shall consider whether the statutory 1 year period is running. If the period is running, no extension should be granted which would delay the election to within 60 days of the end of the statutory period.

We also note that the "exceptional circumstances" and "special situations" language of current FPR provisions are being used as justifications for the use of institutional patent agreements. We find this questionable, since such language has previously been used only in specific cases where it was determined to be in the Government's interest to make an exception in order to obtain research which otherwise would not be done. It is not clear that the proposed arrangement for institutional patent agreements fits this category, since the proposal appears to be of more benefit to the institutions than to the Government.

Giving institutions an advantage not enjoyed by private concerns, which are generally in a better position to assure successful development and marketing, cannot be justified unless it is shown to be of special benefit to the Government in advancing the development of the technology. At present, no such benefit is apparent, and use of the "exceptional circumstances" and "special situations" language appears to be unjustified.

Our patent section has reviewed and concurred in this response.

Justin P. Patterson

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WASHINGTON, D.C. 20540

ADMINISTRATIVE DEPARTMENT
PROCUREMENT AND SUPPLY DIVISION

September 13, 1976

Dear Mr. Read:

Your proposed amendment to the FPR's, covering additional provisions for Institutional Patent Agreements with educational and other nonprofit institutions, has been reviewed. No objections are noted.

Sincerely,

Floyd D. Hedrick

Floyd D. Hedrick

cc: John J. Kominski, General Counsel
Office of the General Counsel

General Services Administration
Mr. Philip G. Read
Director of Federal Procurement Regulations
Federal Supply Service
Washington, D.C. 20406

VETERANS ADMINISTRATION
DEPARTMENT OF MEDICINE AND SURGERY
WASHINGTON, D.C. 20420

September 21, 1976

IN REPLY REFER TO: 134A

Mr. Philip G. Read
Director of Federal Procurement
Regulations
Federal Supply Service
General Services Administration
Crystal Square No. 5, Room 1107
Washington, D. C. 20406

Dear Mr. Read:

We have reviewed and concur in the proposed change to FPR 1-9.1 on the subject of Institutional Patent Agreements. Attached for your information is a copy of a memorandum on the subject from our agency patent counsel.

Sincerely yours,

Clyde C. Cook

CLYDE C. COOK
Director, Supply Service

Enclosure

Show veteran's full name, VA file number, and social security number on all correspondence.

SEP 15 1976

Deputy Director, Supply Service (134A)

Assistant General Counsel (024)

Proposed Revision to FPR Subpart 1-9.1 Patents

1. This is in response to your memorandum request of August 2, 1976, for comments on the proposed revisions to the Federal Procurement Regulations, Subpart 1-9.1 Patents.

2. The proposed revision, prepared by the Ad Hoc Subcommittee on University Patent Policy, would add subsection (6) to 1-9.107-4(a). This new subsection would permit Federal agencies to enter into Institutional Patent Agreements with educational and other nonprofit institutions having a technology transfer program meeting the criteria set forth in 1-9.107(b). The revision would also retitle 1-9.107-6 to read, "Clauses for Domestic Contracts (short form) and Institutional Patent Agreements" and add a new subsection (c) to 1-9.107-6 which will set forth the patent rights under Institutional Patent Agreements, as well as a new section 1-9.109-7.

3. This office has reviewed the proposed revisions and we find no objection thereto. Use of the Institutional Patent Agreement approach with educational and other nonprofit institutions will be new to this agency, however, not new to the Federal Government. We are aware of at least one other agency which presently utilizes this approach and, we believe, experience has shown that the use of such agreements can facilitate the process of determining ownership rights and administration of any patents for inventions emanating from research efforts. The agency will not be divesting itself of control over rights in inventions, but allowing the institutions to administer patent rights in accordance with an Institutional Patent Agreement, entered into beforehand by the parties.

4. We do feel, however, that comment should be made with regard to another matter. Presently, a draft bill entitled, "National Intellectual Property Act of 1976" is before the Office of Management and Budget for approval. The exact effect that enactment of the bill would have on the proposed revisions to the FPR is not presently known. It appears evident, however, that if the bill is ultimately enacted, substantial changes or more likely, repeal of the FPR revisions under consideration will occur. The bill contains an entire chapter devoted to allocation of property rights in inventions resulting from Federally-sponsored research and development. No distinction is contained in the bill regarding contractors with technology transfer capabilities and those without such capabilities and, therefore, application of the FPR revisions, once the bill is enacted, would not be feasible. Under the bill, allocation of property rights in inventions will be handled uniformly as provided for in the bill, regardless of the nature of the contractor.

5. To summarize, we have no legal objection to the proposed FPR revisions, however, we do realize that enactment of the "National Intellectual Property Act of 1976" will effect those revisions. Enactment of that bill, however, is not expected to occur for quite some time and, therefore, we recommend concurrence in the FPR changes at this time.

JOHN B. DE LEO

Panama Canal Co.

SEP 20 1976

Mr. Philip G. Read
Director of Federal
Procurement Regulations
General Services Administration
Federal Supply Service
Washington, D.C. 20406

Dear Mr. Read:

This is in reply to your letter of July 23, 1976, regarding a proposed revision to Subpart 1-9.1, Patents. The Panama Canal Company has no objection to the proposed revision.

Sincerely yours,

Thomas M. Constant
Secretary, Panama Canal Company

UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
WASHINGTON, D.C. 20545

SEP 20 1976

Mr. Philip G. Read, Director
Federal Procurement Regulations
General Services Administration
Federal Supply Service
Washington, DC 20406

Dear Mr. Read:

This is in response to your letter of July 23, 1976, requesting our views, including those of our patent counsel, on the proposed revision to Subpart 1-9.1, Patents, of the Federal Procurement Regulations.

We note that the proposed amendment represents the efforts of the University Patent Policy Ad Hoc Subcommittee of the Executive Subcommittee of the Committee on Government Patent Policy to develop a standard Institutional Patent Agreement (IPA) for use by all Government agencies and that an ERDA representative participated in the actual drafting of the proposed text of the IPA. We, therefore, support the approach taken in the proposed FPR Amendment; namely, that all Government agencies should have a standard text covering agreements with educational and other nonprofit institutions which have an approved technology transfer program, provided the agreement has the requisite flexibility to permit deviations where required by our statutes. Based on our review of this amendment, it appears that the proposed IPA has this requisite flexibility in that the provisions permit an agency to deviate on a case-by-case contract situation or where required by statute.

It should be emphasized, however, that ERDA has interpreted Section 9(d) of the Federal Nonnuclear Energy Research and Development Act of 1974 (P. L. 93-577) as not authorizing the Administrator or his designee to automatically waive, at the time of contracting, title to inventions to nonprofit educational institutions having an approved technology transfer capability. Rather, ERDA on a case-by-case determination is considering waiver requests by nonprofit educational institutions, applying the criterion that the fact that the institution has an approved technology transfer capability is not in and of itself justification for the grant of an advance waiver. In our report to Congress, this issue was identified as one in which possible legislative clarification or modification may need to be addressed.

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

Furthermore, under the proposed new section 1-9.109-7, there are provisions for negotiation of IPA's. Under the approach contained therein each institution is required to submit certain information to each agency with which it desires to enter into an IPA. We would support the establishment of an interagency group which would be the central Government contact for receiving and evaluating the various applications for approval of an institution's technology transfer program. ERDA presently in its waiver determinations takes into account the fact of whether or not the requestor has an existing approved technology transfer program with any other Government agency, since we have not established a procedure or criteria for approving technology transfer programs.

With respect to the text of the proposed amendment, we have some suggested changes for your consideration, and we have marked up a number of pages to reflect them.

We appreciate the opportunity to provide these comments.

Sincerely,

/S/ Harry M. Taylor

for Richard P. White, Chief
Policy Development Branch
Division of Procurement

Enclosure:
Pertinent marked up pages of
proposed FPR Amendment

Justice

SEP 17 1976

Mr. Philip G. Read
Director of Federal
Procurement Regulations
Federal Supply Service
General Services Administration
Washington, D.C. 20406

Dear Mr. Read:

Reference your letter dated July 23, 1976, concerning a proposed amendment to Subpart 1-9.1, Patents, of the Federal Procurement Regulations.

The Department of Justice has no comment on the proposed revision.

Sincerely,

original signed by

William H. O'Donoghue
Chief, Administrative Programs Section
Security and Administrative Programs Staff
Office of Management and Finance

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

OFFICE OF OPERATIONS

SEP 21 1976

Mr. Philip G. Read, Director
Federal Procurement Regulations
Federal Supply Service
General Services Administration
Washington, D.C. 20406

Dear Mr. Read:

This is in response to your letter of July 23, 1976, requesting our comments on a proposal to amend the Federal Procurement Regulations with reference to Institutional Patent Agreements.

The proposed amendment should more expeditiously bring about the utilization of technology developed under Government grants and contracts by educational and other non-profit institutions. Accordingly, we recommend implementation.

Sincerely,

E. Alvarez

E. ALVAREZ
Director

DEPARTMENT OF STATE
Washington, D.C. 20520

September 15, 1976

Mr. Philip G. Read
Director of Federal
Procurement Regulations
Crystal Square Bldg. 5
Room 1107
Washington, D.C. 20406

Dear Mr. Read:

This is in reply to your letter of July 23 in which you requested the Department's views on the addition of provisions dealing with Institutional Patent Agreements with educational and other nonprofit institutions. The proposal has been circulated to interested offices within the Department and they have indicated they offer no objections to the proposal.

Sincerely,

Harry M. Hite
Supply Management
Representative
Supply and Transportation
Division

FCC
Federal Communications Commission

August 25, 1976

2800

General Services Administration
Federal Supply Service
Washington, D.C. 20406

Attn: Philip G. Read

RE: Institutional Patent Agreements

Dear Mr. Read:

Pursuant to the request made in your letter of July 23, 1976, this office reviewed the proposed amendment to Subpart 1-9.1 of the Federal Procurement Regulations.

This office concurs with the proposed amendment.

Sincerely,

Kenneth A. Gordon
Contracting Officer

DM/jf

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

November 1, 1976

Mr. Philip G. Read
Director of Federal Procurement Regulations
General Services Administration
Washington, D.C. 20406

Dear Mr. Read:

This is in reply to your letter of July 23, 1976, requesting comments on proposed coverage in the Federal Procurement Regulations (FPR) Subpart 1-9.1, Patents, on Patent Agreements with educational and other nonprofit institutions having a technology transfer program meeting specified criteria.

The concept of Institutional Patent Agreements (IPAs) is acceptable, but applying such agreements only to educational and nonprofit institutions is not acceptable. Educational and nonprofit institutions constitute a minute segment of the economy engaged in research, while private industry spurred by the profit motive constitutes the largest research factor in our economy. The Government should seek the broadest market in order to obtain the greatest return from the tax dollar it invests in research. Therefore, unless the proposed FPR coverage on IPAs includes on an ad-hoc basis, application to private industry as well as educational and nonprofit organizations, I oppose the coverage as discriminatory and not maximizing possible benefits to the Government.

Sincerely,

Barnett M. Anceleitz
Director of Installations
and Logistics

32-635 O - 78 - 40

michigan technological university
houghton, michigan 49931

division of research
906/487-2225

Mr. Philip G. Read
Director of Federal Procurement
Regulations
Federal Supply Service
General Services Administration
Washington, DC 20406

Dear Mr. Read:

This is in response to your letter of August 5, 1976, which solicits the views of my organization on the amendment of Federal Procurement Regulations to provide for Institutional Patent Agreements. Michigan Technological University is a non-profit educational institution which has an existing, successful, technology transfer program.

Let me begin by strongly endorsing the principle of Institutional Patent Agreements--it has been our experience that everyone benefits from this rational approach to the problem of putting into practical use and commerce the inventions and discoveries made at non-profit institutions. That the "build a better mousetrap....." adage is flatly untrue has long been known by those of us facing the practical challenge of insuring that newly developed technology is put to work for the benefit of mankind. The misconception that eager licensees will line up with fat royalty offers for any patentable invention has long been espoused by many legislators and bureaucrats who lack experience in buying and selling technology; my recent paper, "Triggering Technology Transfer" (copy enclosed), discusses approaches and challenges to technology transfer in practical terms.

With this preface, I turn to some detailed comments regarding the proposed FPR Revision dated January 1976:

3.(C)--relating to non-exclusive versus exclusive licensing: Who is to exercise the judgment as to whether "the desired practical or commercial application has not been achieved or is not likely to be expeditiously achieved" through non-exclusive licensing?

3.(D)--also relating to exclusive licensing: Who is to judge what period of time will be necessary to "provide the incentive for bringing the invention...."?

3.(E)--relating to royalty charges: Who is to decide "what is reasonable under the circumstances"?

3.(I)--assignments "to approved patent management organizations": What and where is the procedure for a patent management organization to obtain approval for assignment of inventions?

3.(c)(2)--the Standard Institutional Patent Agreement: V.(c) specifies that "the Government may duplicate and disclose Subject Invention disclosures." My university objects to premature publicity with respect to invention disclosures as being inimical to our interests and the Government's interest in obtaining suitable patent coverage--at least until after patent applications have been filed. Even in that circumstance, it is often undesirable to publish invention disclosure information. We therefore recommend that paragraphs (c) and (d) be reworded to make public disclosure of invention disclosure materials an optional matter, depending upon the judgment of those who are working on obtaining patent protection for the inventions.

VI.(b)--contains onerous reporting requirements which tend to negate the value of the proposed policy. For instance, why is it necessary for the Agency to have a copy of the patent application as filed, and why does the Agency need a copy of the assignment from the inventor to the institution? Unlike Federal agencies, the universities do not have manpower available to prepare and submit copies of sensitive documents to Federal departments which have neither the need for such detail nor the space to store the applications and assignments. It should surely be sufficient for the Agency to receive an annual report listing the titles, filing dates and serial numbers of all invention disclosures on which patent applications have been filed by the institution--with the option of requesting copies of relevant documents, as proposed in subparagraph (viii).

Subparagraph (iv) is positively insulting to the universities. Exhibit A confirms, with full legal trappings, the legal responsibility which had already been established by legal agreement and, in addition, confirmed by a statement required in each patent specification, as per paragraph VI.(b)(iii). This is bureaucracy carried to the ultimate extreme, and Michigan Technological University strongly recommends that the entire requirement of that subparagraph (iv), together with Exhibit A, be deleted from the proposed revision.

VII.--(incorrectly labeled VIII, p. 10 of the draft): Paragraph (a) includes three alternatives; presumably the word "or" should follow the semicolon at the end of subparagraphs (i) and (ii). Even with the addition of this alternative, we object to the specification of fixed time periods--eight months in the first paragraph and six months in the second. In patent matters, it is our experience that each specific case must have decisions of this kind made as a result of circumstances which exist, uniquely, for that particular case. We therefore recommend that subparagraphs (i) and (ii) be rewritten to generalize the elapsed time for foreign filings; e.g. "foreign filings shall be made at an appropriate date following the filing of a corresponding U.S. application, so as to obtain suitable foreign protection with a minimum risk of premature disclosure, etc."

~~IX~~

XI.(b)--specifies a period of five or eight years for an exclusive license. It is our experience that these times are not long enough to bring many inventions to the marketplace and still assure a return on the investment of the exclusive licensee. We recommend that these time periods be extended to eight years from the date of the first commercial sale or ten years from the date of the exclusive license, whichever occurs first--if we are to attract a licensee to make an investment in and market new technology developed under Federal contract or grant auspices.

Additional comments which follow are related to paragraph 1-9.109-7, Negotiation of Institutional Patent Agreements; several of the requirements for information from the performing institution are of questionable value. Paragraph (a), subparagraphs (8) and (9)(vii) request vague plans, intentions and descriptions which are literally impossible to generalize upon. It is our experience that each invention owned by the University requires a separate and distinctive "game plan" and marketing strategy--as well as royalty schedules which most emphatically must be tailored to fit the particular invention. For instance, Michigan Tech has just licensed a new proprietary development (molded wood particle pallet production and products); the first licensee has obtained substantially better terms and larger exclusive production territory than subsequent licensees will be offered. Product cost is substantially dependent upon the geographical location of the production facility, and sales price is also dependent upon the distance from the factory to the customer. Market demand from region to region is also sharply different, so that annual minimums could not possibly be the same for each licensee. Consequently, we submit that the simple existence of a patent and licensing program and the existence of licensees (perhaps some sample license agreements might be filed with the Agency) is suitable evidence that an institution is capable of effecting technology transfer via the licensing route.

A final comment concerns the use of the word "insuring" in paragraph (b)(iii) and (iv) of the last section. Our experience indicates that one can never insure that inventions are promptly identified and timely disclosed or that, consequently, they can be evaluated for inclusion in the institution's program. We can demonstrate, of course, that our institution has procedures for the prompt identification and timely disclosure and procedures for the evaluation for inclusion of inventions disclosed.....but, unfortunately, we can never insure that inventions will always be identified and disclosed. Perhaps some more appropriate wording might be substituted?

This lengthy dissection of the proposed FPR Revision is not intended to imply that we are not in favor of the change. Indeed, Michigan Technological University strongly supports the principle which is embodied in the changes--we have entered into a similar agreement with the U.S. Department of Health, Education, and Welfare. It would be desirable, in our opinion, to make some modifications to the proposed Revision--as indicated by the remarks above.

Thank you for the opportunity to comment on the proposal. I will be pleased to elucidate upon these remarks--either for clarification or for additional emphasis--in the event that you find such amplification desirable.

Sincerely,

Thomas P. Evans

Thomas P. Evans
Director of Research

TPE:mmo
Enc.
cc: Norman J. Latker, NIH

Office of the Administrator

UNIVERSITY OF MINNESOTA
TWIN CITIES

Patents
University-Sponsored Educational Materials
332 Morrill Hall
Minneapolis, Minnesota 55455
(612) 373-2092

October 7, 1976

Mr. Philip G. Read
Director of Federal Procurement Regulations
General Services Administration
Federal Supply Service
Washington, D.C. 20406

Dear Mr. Read:

This letter is in response to your letter of August 4, 1976 relative to Subpart 1-9.1 of the Federal Procurement Regulations and deals specifically with Institutional Patent Agreements with educational and other non-profit institutions having a technology transfer program meeting specified criteria.

We have carefully reviewed the proposed FPR revision and advocate its adoption. It is our opinion that the adoption of Institutional Patent Agreements on a government-wide basis is definitely in the public interest as they facilitate the expeditious transfer into public use of the results of government sponsored research. The adoption of this amendment will encourage more organizations to acquire a technology transfer capability because of the assurance presented that all discoveries, either government or organization funded, will be available to carry the load costwise which such a technology transfer program entails.

With respect to educational institutions, we believe they have a unique capability not present where title passes to the government in the availability of the inventor to perform the considerable scientific support that is necessary to market high technology inventions.

Sincerely,

G. Willard Fornell

G. Willard Fornell
Patent Administrator

GWF:tfh

New York University

Office of Sponsored Programs

15 Washington Place, Apt. H-1
New York, N.Y. 10003
Telephone: (212) 598-2191

October 7, 1976

Mr. Philip G. Read
Division of Federal
Procurement Regulations
General Services Administration
Washington, D.C. 20406

Dear Mr. Read:

We have examined the proposed amendment to FPR subpart 1-9.1 regarding provisions dealing with institutional patent agreements with educational and other non-profit institutions. I would like to say at the outset that we favor a uniform institutional patent agreement between educational institutions and all federal agencies. I think it is clear that the administrative burden to both the agencies and the grantee institutions would be considerably lessened.

The amendment as contained in your letter of August 3, 1976 meets with our approval; we think that it will help to eliminate many of the difficulties and objections to the present system of case-by-case justification of a particular patent clause in each grant or contract. We have the following comments to make:

Under section IX(f), "Administration of Inventions", it seems that the language is unnecessarily constraining, particularly the last phrase beginning, "In such cases..." The implication is that preference would be given to organizations or individuals other than those listed in part (f). Thus, it appears that the regulations require the grantee to act in an unnecessarily discriminatory manner.

Under section 1-9.109-7(b)(5) the wording does not make clear the evaluation criteria for assessing "an active and effective promotional program." This is of particular concern to us since the Department of the Navy, for example, has interpreted technology transfer capability to mean that the grantee must demonstrate representative patents and licenses in specific fields of technology. (ONR memorandum of February 17, 1976, ref: 610:JKP:dcl). The Navy's interpretation thus clearly favors those organizations which have already secured patents and licenses and effectively eliminates the entry of other institutions into the field of technology transfer. We would therefore recommend that part 1-9.109-7(b)(5) be worded to read "Procedures for insuring an active and effective program of licensing and marketing of inventions."

We hope that you have found our comments useful; we are hopeful that the present non-uniform, administratively complex, and often discriminatory procedures will be amended. Please be assured of our willingness to be of any assistance.

Sincerely yours,

Victor Medina

Victor Medina
Assistant Director

VM:kdo

Cornell University
123 Day Hall, P.O. Box D.H.
Ithaca, New York 14853

October 8, 1976

Mr. Philip G. Read
Director of Federal Procurement
Regulations
General Services Administration
Federal Supply Service
Washington, D.C. 20406

Dear Mr. Read:

We have read with great interest the report of the University Patent Policy ad-hoc sub-committee relating to the expeditious development of civilian use of inventions resulting from research funded by the federal government. We have also reviewed with care the proposed revisions to the federal procurement regulations which included a standard institutional patent agreement for general use.

We would like to express our support of the efforts of the sub-committee and the proposed FPR revisions as well as the IPA itself. We trust that the following comments will be taken in the light of that general approval. They are offered as constructive criticism rather than opposition.

By virtue of the fact that the proposed revision is basically the addition of a sub-section (6) to 1-9.107-4 (a) it is likely that the requirements it contains will be interpreted as being inapplicable to organizations other than educational and non-profit operations. I suspect that this is not the intent and that further changes to the FPR should be considered.

As a case in point, I refer to section IV Minimum Rights Acquired by the Government subsection (c). As I understand the situation, the requirements that led to IV (c) are such that they should be generally applicable. As to the section itself, FPR section 1-9.107-5 (e) sets forth the obligations and the applicable clauses to be used in the event the agency head or his duly authorized designee may determine them to be necessary. It specifies that the license to the government shall include the right of the government to sub-license foreign governments pursuant to any treaty or agreement with such foreign governments. Section IV (c) of the IPA is somewhat different in that it requires action on the part of the institution to request identification of those cases in which obligations may exist.

The reference to "contract support and international agreement and treaty" seems to us to be vague and we are concerned about the obligation that we must follow "such other directions of the agency as are deemed necessary by the agency to comply with the terms of any applicable international agreements." We believe it should be the obligation of the agency to advise the institution at the time of a proposed grant or contract of any such requirements, and that they should not be retroactive. Directions of the agency to which we will be obligated should be clearly stated and understood prior to contract execution.

Section V (a) requires a complete technical disclosure for each subject invention within six months after conception or first reduction to practice and section III (a) requires that such disclosure be accompanied by the institution's election as to whether it wishes to retain entire right, title and interest in the invention. Assuming the most favorable, but most unlikely situation in which the institution is aware of an invention immediately upon conception or first reduction to practice, this would mean that the decision as to filing would have to be made within six months at best. Our experience indicates to us that this period is unrealistic in terms of normal reporting practices of inventors coupled with the time required for patent and commercial evaluation. Solicitation of commercial interest, analysis of the market, review of industrial requirements on obtaining approvals for new projects usually take a considerably longer period. What we are suggesting here is not omission of time frames but some added flexibility to the institution to make a thorough assessment possible.

With regard to section VIII which provides for assignment of rights to the IPA holder from sub-contractors, we would like to see some language added to eliminate this requirement if the sub-contractor is itself an IPA holder. We assume that for the purposes of section VIII that the requirement is intended to apply to sub-contractors who are not educational or non-profit institutions.

While we understand the reasoning that led to the provisions of section IX (f), and we find that these restrictions might at times lend force to our decisions in such matters, it is our view that we are in perhaps the best position to assess possible conflicts. It is our interpretation that these provisions will not restrict the institution from licensing a current or former employee (or student) or group of employees or an organization of which an employee is a member if to do so would bring the benefits of the invention promptly to the public. On this point we are referring to X (f) iii.

With regard to "march in rights", it would be helpful if it were possible to develop more specific criteria although we recognize this

may be most difficult. We do, however, suggest that the decision on such matters be specified to rest at the highest level within a given agency.

Sincerely,

Thomas R. Rogers
Associate Vice-President
for Research

TRR/lk

OLORADO
STATE vice president for research
IVERSITY
FORT COLLINS
COLORADO
80521

October 7, 1976

Mr. Philip G. Read
Director
Federal Procurement Regulations
General Services Administration
Washington, D.C. 20406

Dear Mr. Read:

The Colorado State University administrative office for patents and inventions is pleased at the prospect of an amendment to the Federal Procurement Regulations of the General Services Administration which would initiate a uniform patent policy for all civilian agencies who qualify for an institutional patent agreement. Much of the difficulty in administering inventions at the university would be eliminated through an institutional patent agreement of this type enabling a more efficient and sizable technology transfer program to evolve.

We are in agreement with the proposed FPR revision with the exception of the terms set forth in Section IX(b). The restriction of five or eight years placed on the term of exclusive licenses would not always provide adequate time for the product to reach the commercial marketplace or for the licensor and licensee to recover costs and a reasonable royalty. There are examples where this restriction could be a problem. One would be an invention offered on an exclusive basis where additional research and development was necessary to bring the invention to a patentable and marketable stage. Development work of this type could take any number of years to complete. A second example where this restriction could be a problem would occur should an unduly long period of time be required for premarketing approval, i.e., new drug approval. Often, the time required for new drug approval could run as long as five years in itself. A more favorable clause might read in part:

"Any exclusive license issued by the institution under a U.S. Patent shall be for a limited period of time and such period shall not, unless otherwise approved by the Agency, exceed the life of the patent (patent renewals excluded) or ten years, whichever is longest. Any exclusive license issued by the institution for a nonpatented invention shall be for a limited period of time and such period shall not, unless otherwise approved by the Agency, exceed ten years from the date of the first commercial sale or use in the United States of America of a product or process embodying the invention."

A clause such as this would provide the university and the licensee with an opportunity to recover all costs incurred in the development and patenting of an invention as well as receive a reasonable royalty income. The royalty income to the university would be used to support educational and research activities and provide an incentive to those faculty and staff members involved in research projects.

The opportunity to comment on the proposed amendment to the FPR is appreciated and we look forward to the possibility of participating in an institutional patent agreement with the General Services Administration.

Very truly yours,

Cynthia J. Hanson

Cynthia J. Hanson
Administrative Assistant

c.c. R.J. Woodrow, President
Society of University Patent Administrators

The University of Connecticut

STORRS, CONNECTICUT 06268

THE GRADUATE SCHOOL
Research Foundation
U-133

October 5, 1976

Mr. Philip G. Read
Director of Federal Procurement Regulations
General Services Administration
Federal Supply Service
Washington, D. C. 20406

Dear Mr. Read:

I wish to acknowledge your letter of August 3, seeking comment on proposed amendments to section 1-9.1, FPR, which would establish an Institutional Patent Agreement. The objective is excellent, and I hope that you find sufficiently enthusiastic endorsement of the plan, and sufficiently few irreconcilable institutional requests, that it can be adopted.

The posture of the University of Connecticut is determined largely by state statutes, attached. These statutes have been augmented by guidelines of the Board of Trustees and administrative procedures to encourage invention disclosures. The University has had since 1954 an agreement with Research Corporation, which examines 15-20 disclosures annually.

Comments

I. Scope of Agreement

It is implied that the University, when it is a subcontractor to a prime contract of a federal agency is bound only by its own statutes and regulations regarding patents and licensing. Is this a correct interpretation? Section VIII does not really answer the question.

II. Definitions

Possibly include "institution", clarifying relationship to constituent schools, colleges, institutes and Agricultural Experiment Station.

III. Allocation of Principal Rights

It is not clear whether the University may assign its rights to the inventor when that person has been associated professionally with a government contract. If the institution wishes to make such assignment, or alternatively an assignment in the public interest to a private corporation, is such permission to be granted only upon application of the inventor or representative of the private corporation to the governmental agency?

Are these questions presumed to be covered by the last sentence of section III (a)?

IV.

It is not clear under what circumstances the agency will determine that it is or is not in the public interest to acquire licenses for states and domestic municipal governments. Presumably inventions made without government support would be patented and licensed for sale or use by state or municipal governments, and it is not difficult to discern irreconcilable institutional policies concerning federally supported or non-federally supported inventions.

I am also uneasy about the meaning of a "non-exclusive, non-transferable paid up license" for the U.S. government, and the requirement that the institution "grant to responsible applicants, upon request of the government, a license . . .". It is simply not clear whether the agreement gives the right to own, assign or license patents, or whether the agency retains the right to order the issuance of a license (B) (b), "to fulfill public health or safety needs, or for other public purposes . . .".

V, VI, VII

No comment

VIII.

Is a subcontract by institutions to a private contractor possible in practice under provision of section VIII? If it is implied by the statement that the institution "will seek direction" from the agency, that the agency will comply, perhaps it would be more expedient to eliminate the entire provision. It is not difficult to imagine that the process of "seeking direction" might require an inordinate period of time, effectively slowing the accomplishment of the purpose of the contract.

IX (f) (i)

Does this provision prevent assignment of patent rights to the inventor? Is this section in conflict with last sentence of section III (a)? See also second paragraph of section X.

XII.

Does this section give special rights to the agency concerning employees paid in part by the Agricultural Experiment Station?

Sincerely yours,

Hugh Clark
Associate Dean

Attachment
HC:cs
cc: Mr. Norman Latker
Mr. Raymond Woodrow

Copied from: General Statutes of Connecticut, Revision of 1958 and the 1965 Supplement to the General Statutes 9/30/6

Sec. 10-124. Research foundation. Definitions. As used in sections 10-125 to 10-131, inclusive, "university" means The University of Connecticut; "board" means the board of trustees of the university; "foundation" means the research foundation established in accordance with section 10-125; "employee" means any member of the faculty or staff of the university or the foundation, or any other employee thereof; "invention" means any invention or discovery and shall be divided into the following categories: A. Any invention conceived by one employee solely, or by employees jointly; B. any invention conceived by one or more employees jointly with one or more other persons; C. any invention conceived by one or more persons not employees. (1949 Rev., S. 3278.)

Sec. 10-125. Establishment and management of foundation. The board is authorized to establish and manage the foundation as provided herein. The foundation may, subject to direction, regulation and authorization or ratification by the board: (1) Receive, solicit, contract for and collect, and hold in separate custody for purposes herein expressed or implied, endowments, donations, compensation and reimbursement, in the form of money paid or promised, services, materials, equipment or any other things tangible or intangible that may be acceptable to the foundation; (2) disburse funds acquired by the foundation from any source, for purposes of instruction, research, invention, discovery, development or engineering, for the dissemination of information related to such activities, and for other purposes approved by the board and consistent with sections 10-124 to 10-131, inclusive; (3) file and prosecute patent applications and obtain patents, relating to inventions or discoveries which the university may be justly entitled to own or control, wholly or partly, under circumstances hereinafter defined; and receive and hold in separate custody, assignments, grants, licenses and other rights in respect to such inventions, discoveries, patent applications and patents; (4) make assignments, grants, licenses or other disposal, equitably in the public interest, of any rights owned, acquired or controlled by the foundation, in or to inventions, discoveries, patent applications and patents; and to charge therefor and collect, and to incorporate in funds in the custody of the foundation, reasonable compensation in such form and measure as the board authorizes or ratifies; and (5) execute contracts with employees or others for the purpose of carrying out the provisions of sections 10-124 to 10-131, inclusive. All property and rights of every character, tangible and

intangible, placed in the custody of the foundation in accordance with said sections shall be held by the foundation in trust for the uses of the university. The entire beneficial ownership thereof shall vest in the university and the board shall exercise complete control thereof. (1949 Rev., S. 3279.)

Sec. 10-126. Ownership of inventions. The university shall be entitled to own, or to participate in the ownership of, and to place in the custody of the foundation to the extent of such ownership, any invention, on the following conditions: (a) The university shall be entitled to own the entire right, title and interest in and to any invention in category A, in any instance in which such invention is conceived in the course of performance of customary or assigned duties of the employee inventor or inventors, or in which the invention emerges from any research, development or other program of the university, or is conceived or developed wholly or partly at the expense of the university, or with the aid of its equipment, facilities or personnel. In each such instance, the employee inventor shall be deemed to be obligated, by reason of his employment by the university, to disclose his invention fully and promptly to an authorized executive of the university; to assign to the university the entire right, title and interest in and to each invention in category A; to execute instruments of assignment to that effect; to execute such proper patent applications on such invention as may be requested by an authorized executive of the university, and to give all reasonable aid in the prosecution of such patent applications and the procurement of patents thereon; (b) the university shall have the rights defined in subsection (a) of this section with respect to inventions in category B, to the extent to which an employee has or employees have disposable interests therein; and to the same extent the employee or employees shall be obligated as defined in said subsection (a); (c) the university shall have no right to inventions in category C, except as may be otherwise provided in contracts, express or implied, between the university or the foundation and those entitled to the control of inventions in category C. (1949 Rev., S. 3280.)

Sec. 10-127. Employees to share in proceeds. Each employee who conceives any invention and discharges his obligations to the university as hereinbefore provided shall be entitled to share in any net proceeds that may be derived from the assignment, grant, license or other disposal of such invention. The amount of such net proceeds shall be computed by, or with the approval of, the board, with reasonable promptness after collection thereof, and after deducting from gross proceeds such costs and expenses as may be reasonably allocated to the particular invention or discovery. A minimum of twenty per cent of the amount of such net proceeds shall be paid to

an employee who solely conceived or made the invention, and shall be paid in shares to two or more employees who jointly made the invention in such respective proportions as the board may determine. The board in its discretion may increase the amount by which any employee or employees may participate in such net proceeds. (1949 Rev., S. 3281.)

Sec. 10-128. Disagreements; procedure. Disagreements as to the allocation of any invention to one of said categories, or as to the obligations of any employee or due performance thereof, or as to participation of any employee in net proceeds, or as to rights or obligations with reference to inventions in any category, shall be disposed of as follows: (a) By voluntary arbitration of all relevant issues, if the disagreeing parties approve and agree to be bound by the decision upon such arbitration; (b) by compulsory arbitration if that is provided for in any applicable contract between the disagreeing parties; (c) by recourse to courts of appropriate jurisdiction within the state if arbitration cannot be resorted to under either subsection (a) or (b) of this section. (1949 Rev., S. 3282.)

Sec. 10-129. Regulations for arbitration. The board is authorized to establish and regulate, equitably in the public interest, such measures as the board deems necessary for the purposes of such arbitration, and to make contracts for compulsory arbitration, in the name of the university or of the foundation. (1949 Rev., S. 3283.)

Sec. 10-130. Enforcement of regulations. The board is authorized to make and enforce regulations to govern the operations of the university and the foundation in accordance with the provisions of sections 10-124 to 10-131, inclusive. (1949 Rev., S. 3284.)

Sec. 10-131. Rights as to products of authorship. The provisions of sections 10-124 to 10-131, inclusive, shall not entitle the university or the foundation to claim any literary, artistic, musical or other product of authorship covered by actual or potential copyright under the laws of the United States; but the university and the foundation shall each be authorized to make and enforce any contract, express or implied, which it may make with reference to any such subject matter. (1949 Rev., S. 3285.)

AMERICAN PATENT LAW ASSOCIATION
SUITE 203 2001 JEFFERSON DAVIS HIGHWAY, ARLINGTON, VA. 22202

Telephone (703) 521-1680

August 4, 1976

Mr. Philip G. Read
Director of Federal Procurement Regulations
General Services Administration
Federal Supply Service
Washington, D. C. 20406

Dear Mr. Read:

We indeed are appreciative of the opportunity to review the Proposed FPR Revision. It immediately will be referred to our Committee on Government Patent Policy for study and review. The committee will be asked to report any recommendation which it believes should be made with respect to this proposed revision to the Board of Managers of the Association. It is the Board that takes action on and adopts a position on behalf of the Association.

Our Annual meeting is scheduled for October 7 and 8, 1976. Thus, it would be on October 8 that the Board of Managers would consider any recommendation which may be made to it by the aforementioned committee. Promptly thereafter we will send you our views on the proposal. Realizing, of course, that these views will not reach you by October 8 but necessarily a few days later, we trust that you will allow us those few additional days in order that a proper and thorough review of the proposal may be undertaken by our committee.

Sincerely yours,

Charlotte E. Gauer
Executive Director

(Staff note.--The letter from the American Patent Law Association, to Philip G. Read, dated October 21, 1978, commenting on the proposed Government-wide IPA has been printed in the testimony of Danald R. Dunner, hearing of June 21, 1978.)

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The University of Georgia / Office of the Vice President for Research / Boyd Graduate Studies Research Center / Athens, Georgia

October 5, 1976

Mr. Philip G. Read
Director of Procurement Regulations
Federal Supply Service
General Services Administration
Washington, D. C. 20406

Dear Mr. Read:

The opportunity to present our views on the proposed Federal Procurement Regulations Amendment concerning patents growing out of federally-supported university research is appreciated. We are in total agreement with the principle of using an Institutional Patent Agreement to administer this important activity. In fact, we strongly recommend going a step further than your proposal in requiring all federal agencies to operate under one Institutional Patent Agreement. Where necessary additional legislation should be passed to permit this. Administrative costs for the universities and the Government would be greatly reduced.

The Institutional Patent Agreement form you propose has many positive features. We would, however, offer the following comments:

(1) It is a great waste of effort to have to renew IPA's periodically. The 30-day notice of cancellation provided is entirely sufficient, and we see no reason whatever to limit the life to three years or any other specific period of time. The cost of maintaining files for governmental and other documents and correspondence is already prohibitive, and IPA's for successive increments of time would undoubtedly add to this burden. This is especially true since it is highly probable that successive agreements will differ, making it necessary to administer each one separately for the life of any patents related to them. Therefore, we recommend that the agreement have no expiration date and that it be changed <u>only</u> for compelling reasons.

(2) In Paragraphs II(a) and (c) these definitions should be restated to include <u>only</u> those applications or uses of inventions which are developed under Government funding in those cases where inventions have been conceived and/or applied prior to such funding involvement.

(3) Paragraphs III(a) and V(a) require the University to report and make an election whether it will retain right and title to an invention within six months after its conception or first reduction to practice, whichever occurs first in the course of or under the contract. Paragraph VI(a) requires the University to file a patent application within six months after

such election. It is our opinion that in a university situation it is unreasonable to expect that in all cases a patent application can be filed within 12 months after the conception of the invention. Reduction to practice can be very time-consuming because of the possible lengthy delays in funding and because university priorities are different from those in private industry. These provisions should be changed to allow the election and the filing of patent applications within six months following the conception or reduction to practice, whichever occurs last.

(4) In Paragraph IV(a), the Government's license to a subject invention should be for governmental purposes only rather than to "make, use, and sell."

(5) It is understandable that the Government should have the right to disclose, eventually, invention disclosures under the IPA (Paragraph V(c), Page 8). However, provision should be made to allow the filing of a U. S. Patent Application prior to any such governmental disclosure.

(6) We recommend the changing of wording on Page 9 in Paragraph VII(b to specify that the Grantee shall furnish promptly a copy of each U. S. Pate Application with data filing and serial number, and shall promptly obtain an deliver a copy to the Agency an assignment form, etc. The information required here can be obtained only from the Patent Office and the University reporting is subject to the timing of that office.

(7) Provision for the extension of the period of exclusivity in rare cases should be made.

(8) Paragraph IX(c) should specify that royalty-free sales to the Government shall be provided for in licenses, to be handled by licensees. It would be completely unthinkable to try and have universities administer royalties by licensee and by consumer and rebate to the Government those royalties on sales to governmental agencies.

(9) The IPA should provide in Paragraph IX(e) that licenses be made subject to the conditions of the royalty-free license to the Government and not subject to the conditions of the IPA itself. Any specific conditions which need to be provided for in licenses in order to meet the terms of the IPA should be stated briefly and concisely in the IPA for inclusion in licenses. Thus, the necessity of making the IPA a part of every license would be avoided, along with a great deal of paper work.

(10) The provisions of Paragraph IX(f) are contrary to public policy as applied in the Small Business Administration and other agencies of the Federal Government and the states. Individuals are encouraged to benefit from the application of Federal funds in innumerable cases when the public benefits in the long run. Government-supported inventions should not be an exception to this established public policy.

Many thanks, again, for this opportunity to respond to the proposed GSA Institutional Agreement.

Cordially,

Robert C. Anderson

BRA:ev

PURDUE RESEARCH FOUNDATION
WEST LAFAYETTE, INDIANA 47907

OFFICE OF PATENT MANAGEMENT

October 6, 1976

Mr. Philip G. Read
Director of Federal Procurement
Regulations
Federal Supply Services
General Services Administration
Washington, D. C. 20406

Subject: Proposed Institutional Patent Agreement

Dear Mr. Read:

Comments on the proposed Agreement follow:

1. Paragraph I stipulates that "This Agreement shall not apply to Subject Inventions in cases where the Institution is a subcontractor under a prime contract." We are unable to reconcile this statement with paragraph II(b) which states that "Contract" means any contract (agreement, grant, or other arrangement) or subcontract---" The Agreement should permit the Institution to retain rights to inventions under subcontracts. Such a change would encourage inter-institutional research.

2. Paragraph V(c) stipulates that "The Institution agrees that the Government may duplicate and disclose Subject Invention disclosures and subject to Section XI, all other reports and papers furnished or required to be furnished pursuant to this Agreement." At times it is not possible to license and/or evaluate the foreign market potential within the one-year requirement to file a foreign counterpart to a U.S. application. Such publication of the disclosure as stipulated in paragraph V(c) would prohibit filing in most foreign countries after the one-year period. A similar situation could result with respect to paragraph V(d). It is a policy of our Institution to encourage publication but at times such is not feasible until a complete analysis of the commercial opportunities is made in foreign countries.

3. With respect to paragraph IX(b) stipulating that the period of exclusivity shall not exceed five (5) years from first commercial sale or eight (8) years from the date of the exclusive license, whichever occurs first, the eight-year limitation will be a problem when extensive premarket clearance of a product or device is required by the government. This paragraph should be modified to exclude from the eight-year limitation that time required by the government for premarket government clearance.

4. Paragraph IX(f). Some inventions have a very limited specialized market although they could make significant contributions. The public could best be served by licensing the technology to the inventor. Universities are probably more concerned than the government about conflict of interest. Prudent management dictates that the Universities be able to license where the use of the technology will be maximized. If this is the inventor, then such should be permitted without first having to contact a number of companies. For most inventions, the inventor would not have the capital to develop the technology.

   Paragraph IX(f) should be modified to permit licensing the technology to the inventor without having to obtain permission from the agency when good management dictates licensing to the inventor.

The Institutional Agreement is the best approach to enhance technology transfer. The principle ingredient in technology transfer is the inventor. Without his dedicated effort, the invention is seldom successfully commercialized. By leaving title with the Institution, the inventor retains a vital interest.

Very truly yours,

R. L. Davis, Patent Manager

RLD/tp
cc: Norman Latker

SOCIETY OF UNIVERSITY PATENT ADMINISTRATORS

October 5, 1976

Philip G. Read
Director of Federal Procurement Regulations
United States of America
General Services Administration
Federal Supply Service
Washington, D.C. 20406

Dear Mr. Read:

Your letter of August 3, 1976 asked for our comments on the proposed FPR Revision covering University Patent Policy prepared by the Ad Hoc Subcommittee of the Committee on Government Patent Policy. Because of the exigencies of time and communication problems, I am not able to give you an official position endorsed by the members of the Society of University Patent Administrators. However, I have received copies of the comments submitted by a number of those members, and they have been used in preparing what I have to say in the following.

Enclosed herewith is a copy of my recent testimony before the House Subcommittee on Domestic and International Planning and Analysis. Towards the latter part of that testimony you will note that I have endorsed the concept of an Institutional Patent Agreement with reasonable and minimum requirements. The following comments on the proposed FPR Revision are, I believe, consistent with my prepared testimony and also with later comments during the hearing.

1. to add subsection (6) to 1-9.107-4 (a)

During the hearing after the testimony discussed above, I took vigorous exception to making the IPA permissive and not mandatory (except of course where agency statutes do not permit it). Other FPR's are mandatory, why not the IPA? We need to go in the direction of one government, not a multiplicity of governments. Exactly the same invention can be made under a contract or grant from any agency, so it should be in the public interest that it be handled the same way.

Exactly the same comments apply to the provision that individual contracts can be excluded from the IPA. There are no guidelines given except the "public interest" later under 3 (G). Consistent with what I said in my testimony, that IPAs should have reasonable and minimum provisions, let the university administer the inventions,

and then crack down if something particularly unfortunate happens. It is impossible to tell in advance of a contract what kind of inventions will be made, if any, so it is impossible to judge whether the IPA should or should not be applied.

3 (D)
I recommend deletion of the word "normally". Because of the fact that most inventions when they come out of a university are far from the point of commercial production and marketing, most inventions must be licensed exclusively, albeit for a limited period and even for a limited application, if the necessary investment is to be attracted.

I Scope of Agreement
It is not clear why the Agreement must expire after three years. There seems to be little gained, and a considerable amount of renegotiation and change of references will be added. Termination on 30 days notice is provided in XIII.

The last part of the first sentence would be deleted if comments under 1 above are accepted.

I object vigorously to the second sentence and the pertinent part of VIII with regard to subcontractor rights. These provisions completely overlook the equity of the inventors who are subcontractor employees as well as the equity of the subcontractor itself. The prime contractor has little or no equity. If the subcontractor has a valid IPA, it should get the same treatment as in a prime contract.

IV Minimum Rights Acquired by the Government
(a) In place of the phrase "make, use, and sell" in the fourth line, a phrase "practice and have practiced" as contained in ASPR 7-302.23 would be much preferable. For some inventions, potential licensees could be greatly turned off by having to compete with the Government in the marketing and sale of a product.

(a) With regard to the extension of the license to state and local governments, see my testimony. They have no equity. Administratively, the problem is an impenetrable maze.

(b) B In the hearing after my testimony I also referred to the very serious concern, to the extent of refusal, of potential licensee's to agree to license others if an "invention is required for use by governmental regulations or as may be necessary to fulfill public health or safety needs, or for other public purposes stipulated in the applicable contract". The problem is not so much that these are not worthy reasons, but rather that the decision may be made at a low level and without full consideration of all the facts and circumstances. Some assurances should be given that the decision will be made at a high level, with an opportunity for a hearing.

V Invention Identification, Disclosures and Reports

Research Corporation comments are pertinent here.

VI Filing of Domestic Patent Applications

Again see Research Corporation comments.

VII Filing of Foreign Patent Applications

The time periods need to be flexible.

VIII Subcontracts

See last paragraph under I above. Subcontractor should have the same rights as it would have were it the prime contractor.

IX Administration of Inventions in Which the Institution Elects to Retain Rights

(c) As indicated in the Research Corporation letter, the royalty refund requirement would put a great burden on the universities. A much preferable procedure in my way of thinking would be to incorporate in any license a requirement that no royalty is to be included in the price of an item sold to the Government or for the Government's account.

(f) Stanford and Research Corporation have both written thoughtful comments on this section. The Government's concern is understandable. One solution that occurs to me is:

(1.) To have the section applicable only if the person or organization is the sole or exclusive licensee, since more than one licensee should be protection enough.

(2.) To delete the last sentence entirely. It is impossible to prejudge what the circumstances should be for Agency approval.

(3.) The word "financer" under (iii) needs better definition. Obviously it can't mean stockholder.

4 - new 9.109-7 Negotiation of Institutional Patent Agreements

(a) (9) It would seem that a description of institutional patent activities during the past five years would suffice, and even that will not prove a great deal for many institutions. A ten year history as called for can be a very big job.

(b) (2) A requirement that employees must assign to the institution or its designee or the Government is too inflexible. It does not allow for the unusual but occasional case where neither the institution nor the designee nor the Government wants to

prosecute a patent application, but the inventor does (many university patent policies permit this). Exactly the same protection would be provided by a clause stating "Agreements with employees requiring them to assign or license as directed by the institution any invention conceived....."

I hope that the above comments will receive your consideration. If we can provide any further information, or if discussion appears desirable, please let me know.

Sincerely yours,

Raymond J. Woodrow
President

RJW/dh

Enclosure

cc: Norman J. Latker
David Eden
SUPA members (w/e)