

Mr. Baerman



The University of Wisconsin System

VICE PRESIDENT AND CONTROLLER / 1752 Van Hise Hall / Madison, Wisconsin 53706 / 608/262-1311

July 16, 1973

Mr. Jesse E. Lasken
Assistant to the General Counsel
National Science Foundation
Washington, D. C. 20550

Dear Mr. Lasken:

This is a response to Mr. Eugene Stewart's letter of June 22, 1973, in which he enclosed a 15-point listing of information needed to support our earlier requests for an Institutional Patent Agreement. Copies of our letters of November 17 and December 13, 1972 are enclosed. The requested information follows:

1. (a) The University of Wisconsin is a body corporate, pursuant to Wisconsin Statutes without articles of incorporation. The formal name and address of the University is as follows:

The Board of Regents of the University of Wisconsin System
Room 1866 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin 53706
 - (b) The purpose and aims of the University are to provide educational services typical of most major Universities in the United States. The primary functions are often described as Instruction, Research and Public Service.
 - (c) Income is classified on page 8 of the University's Annual Report for the Year Ended June 30, 1972, enclosed as Exhibit A.
2. Enclosed as Exhibit B is a copy of the University's formal patent policy entitled "Disposition of Invention & Patents-The University of Wisconsin".
 3. The office of Vice President and Controller is responsible for the administration of patent and invention matters for the University of Wisconsin System. The undersigned should be contacted concerning such matters. The office of Legal Counsel is also available for legal advice concerning patents and inventions. The Wisconsin Alumni Research Foundation, although a separate corporate body, does provide services in this area when called upon.

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4. The University's patent policy requires that inventors report all inventions through proper channels to the Vice President and Controller. This requirement is all inclusive. In addition, many sponsoring agencies require an annual statement by principal investigators concerning whether or not inventions have been developed. Appendix A on page 9 of the University's formal patent policy booklet (Exhibit B) describes the format in which inventions are to be recorded and reported.
5. A copy of the Agreement required to be signed by faculty and other employees may be found on page 11 of Exhibit B.
6. A copy of the invention report form is contained on page 9 of Exhibit B.
7. The University does have a formal agreement with the Wisconsin Alumni Research Foundation, a copy of which is enclosed as Exhibit C.
8. The University of Wisconsin does not itself engage in the evaluation and subsequent patenting and licensing of inventions and has no staff for doing so. Consequently, it has and maintains a close relationship with the Wisconsin Alumni Research Foundation (WARF), a corporation not-for-private profit, organized and existing under the laws of the State of Wisconsin, which engages in the evaluation, patenting and licensing of inventions which are voluntarily brought to it, and has in fact for many years provided the avenue for evaluating, patenting and licensing inventions originating with University of Wisconsin personnel for the benefit of the University and the public.

Since most inventions made at the University tend to be embryonic or basic in nature, WARF seeks arrangements which will permit working with one or more commercial firms willing and able to undertake the necessary invention development programs and to market the resulting products.

Pursuant to any such arrangement which permits assignment of inventions made at the University of Wisconsin with the expenditure of National Science Foundation funds to WARF, WARF will proceed with the following course of action subject to the following restrictions in its administration of any inventions so assigned:

- (a) It will, if deemed necessary, conduct a patentability search relative to an invention submitted for evaluation to determine if, in its judgment, patentable subject matter is present in the invention, and if the nature of the patent presumably obtainable would lend itself to a viable licensing program;
- (b) It will arrange to file appropriate patent applications in the U. S. Patent Office and in such countries foreign to the U. S. as seems appropriate in the circumstance of each invention and will, if the National Science Foundation desires, provide all pertinent filing information and copies of the

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8. (b) (cont.)

United States applications and any patents maturing from any of such applications.

- (c) It will initially pursue negotiations with commercial manufacturers in an endeavor to persuade them to undertake the necessary product development work on subject inventions. WARF proposes that if it is necessary to secure the development work, a license should be exclusive for an initial period of not more than five years from the first commercial sale of products made under license by the licensee.
- (d) In the event WARF is successful in securing a licensee which will undertake the development of the subject inventions on an exclusive basis as set forth above, WARF will at the end of the exclusive period of any license negotiated with such licensee make non-exclusive licenses available for use of the subject inventions to competent and properly qualified companies. Except that, if at the end of such exclusive period the exclusive licensee has been unable to recoup the investment he has made in the invention licensed, or it appears that additional incentive is necessary to maintain such licensee's active and continuing development and/or marketing efforts, upon a proper showing of the pertinent circumstances, WARF may extend such initial exclusive period for an additional three (3) year period.
- (e) In the event WARF is unable, within a period of five (5) years from the date of issue of United States Patents covering the subject inventions, to complete negotiations of one or more license agreements, or development and license arrangements whereby the inventions are to be brought to the point of practical application, WARF will, upon request of National Science Foundation, assign such patents to the Government of the United States, as represented by National Science Foundation, without reimbursement to WARF, or in the alternative, at the request of National Science Foundation, abandon or dedicate said patents to the public.
- (f) That, as a reward, the inventor or inventors in aggregate will be paid an amount not to exceed 15% of the net royalties or remuneration received by WARF for the use of the inventions.

9. (a), (b), (c), (d)

Patent and Invention Licensing Activities
January 1, 1963 - December 31, 1972

<u>Year</u>	<u>Patents Issued</u>	<u>Licenses Granted</u>			<u>Gross Royalty Income</u>
		<u>Exclusive</u>	<u>Non-exclusive</u>	<u>US Government</u>	
1963	17	2	9	2	\$417,753 722,768
1964	10	-	7	4	446,259 756,496
1965	8	1	7	-	322,587 622,660
1966	10	-	1	-	392,999 715,156
1967	4	-	5	5	399,333 688,814
1968	4	2	3	3	488,493 833,471
1969	4	-	-	2	454,502 861,086
1970	1	-	1	4	457,448 856,816
1971	11	2	3	8	475,758
1972	13	-	4	10	552,627

9. (e) Royalties charged are in all cases arrived at through negotiation with a potential licensee and, hence, are reasonable and commensurate with those considered normal in the industry in which the particular invention finds application. Volume performance is generally reflected in de-escalating royalty schedules.

In establishing appropriate rates, including de-escalation or escalation of rates, every attempt is made to take into account the contribution which it appears a potential licensee will have to make to develop the particular invention or a market for it and the incentive which such potential licensee may need to engage in and complete such development.

In WARF's past experience, royalty rates have varied from a maximum of 31% to a minimum of a fraction of 1%.

The 31% rate was applied to a product concentrate which was diluted with about twenty (20) times its own weight of other ingredients to make a product for the ultimate consumer. The 31% royalty rate at the concentrate level averaged from 1-1/2% to 2-1/2% at the consumer level depending upon the actual sales price of the product to the consumer.

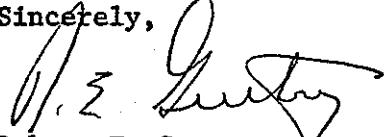
The lowest royalty charged was and is calculated, on a de-escalating schedule, at one and one-half cents (1-1/2¢) per pound of a product having a sales value at the consumer level of from about \$40 to \$50 per pound. This translates to a royalty rate of about 0.03% to about 0.037% per pound of the selling price at the consumer level.

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10. The University of Wisconsin System comprises 27 campuses and a state-wide Extension service. Attached is a booklet describing the System marked as Exhibit D.
11. The University of Wisconsin is an agency of the State of Wisconsin.
12. Please refer to page 157 of Exhibit A, wherein a breakdown of federal agency support of the University's programs is provided.
13. The University does have an Institutional Patent Agreement with DHEW. A copy of that agreement is attached and marked Exhibit E. Recent annual reports submitted to DHEW are enclosed and marked Exhibit F.
14. The University of Wisconsin does not itself apply for or hold patents and thus has no policy regarding distribution of royalty income. The Wisconsin Alumni Research Foundation has a fixed policy providing that inventors share in the royalties to the extent of 15% of the net royalty income.
15. All the net income of the Wisconsin Alumni Research Foundation is donated to the University of Wisconsin for the support of research. Such donations are made without restriction, the funds being competed for by the faculty. A research committee of the Graduate College reviews faculty proposals and distributes the research funds.

I am hopeful the above data provides all the information you need in reviewing the University's request for an Institutional Patent Agreement. As indicated in our previous correspondence, we believe the administration of inventions arising out of NSF grants will be much more efficiently administered if an Institutional Patent Agreement is entered into. Further, the public should benefit from such an agreement, since the time required for individual determinations regarding the disposition of an invention will be eliminated. Thank you.

Sincerely,



Robert E. Gentry
Associate Vice President

CC: Gaylord Ellis
Howard Bremer ✓

REG:IB
Enclosures