



May 19, 2009

The Honorable Jon Leibowitz
Chairman, Federal Trade Commission
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RE: Evolving IP Marketplace - Comment, Project No. P093900

Dear Chairman Leibowitz:

On behalf of the Wisconsin Alumni Research Foundation ("WARF"), these comments are submitted into the public record for the inquiry of the Commission on the "Evolving IP Marketplace". We commend you for your leadership and express our gratitude for the opportunity to respond to the Commission's inquiry.

WARF is the non-profit patent management organization for the University of Wisconsin-Madison. Pursuant to agreements, WARF, through its non-profit subsidiary, WiSys, also represents the patent interests of the entire University of Wisconsin System. The WARF mission, to support scientific research at the University of Wisconsin, is accomplished by transferring university technology to the marketplace for the benefit of the university, the inventors and the public. Licensing income is returned to the university to fund further scientific research.

Founded in 1925, shortly after the creation of the Commission (in 1914), WARF is one of the oldest organizations in the United States engaged in university technology transfer. Over its 84-year existence, WARF has not only protected the fruits of scientific research, it has actually contributed close to \$1 billion of licensing income to cutting-edge UW-Madison scientific research. WARF's contribution last year was \$58 million. Of greater significance is the fact that WARF's technology transfer successes have had a profound and positive effect on the welfare, health, and safety of humankind. Five successes, among many more, are illustrative.

- First, Professor Hector DeLuca at the UW-Madison has numerous vitamin derivatives (protected by close to 200 U.S. patents) that are widely being used today to treat osteoporosis, renal disease, and other dreaded diseases.
- Second, Professor James Thomson's human embryonic stem cell lines have unprecedented potential for research and clinical application of presently untreatable illnesses such as Parkinson's disease and diabetes. Pursuant to a patent licensing agreement with Geron, the Wisconsin cells will be used by Geron in the first human clinical trial recently approved by the Food and Drug Administration. WARF through WiCell (the home of the National Stem Cell Bank (in Madison, WI)) has distributed the cells to researchers around the world.



- Third, MRI medical imaging technology represents a critically successful collaboration between the academic environment and private industry. GE Medical has engaged in active collaborations with a number of academic institutions, including Wisconsin and Stanford University. Without those collaborations, sophisticated imaging capabilities would not be available today to diagnose a wide variety of illnesses and injuries.
- Fourth, digital subtraction angiography has allowed real-time visualization of coronary arteries to determine blockage. This technology is critical to modern cardiac patient care. First developed by UW Professor Charles Mistretta, applied research and development by the private sector have made the technology clinically useful.
- Fifth, Karl Paul Link's discovery of coumarin is the basis for Coumadin, the most widely prescribed blood thinner for cardiovascular disease. Its counterpart, Warfarin (named after WARF), is still the most widely used rodenticide worldwide.

The benefit to the consuming public derived from these and other inventions is incalculable. For more information about the roster of UW-Madison discoveries patented and licensed by WARF, *see* <http://www.warf.org>. Consumers benefit when university research is disclosed thereby stimulating and promoting further innovation and the competition of ideas. After being reduced to practice in the form of an invention, university technology is transferred in the form of an agreement with the private sector to develop marketable products and processes. Universities, such as the UW-Madison, increasingly develop platform technologies that lead to new industries.

The public benefits are measurable. The most recent licensing survey of the Association of University Technology Managers ("AUTM") indicates that in 2007, its member institutions received almost \$50 billion of federal research funding, obtained over 3,600 patents, executed over 5,000 license or option agreements, started over 550 small companies, and had over 680 new products introduced. These products include vaccines, pharmaceutical and medical devices that have saved or improved the lives of millions of people here in America and around the world. These products also have created millions of high paying jobs, jobs that are sorely needed during one of the most serious economic recessions in the last fifty years. The vitality of our innovation cycle depends on keeping our United States patents strong and enforceable.

As stated in the notice for this inquiry, for the past several years, the Commission has been conducting hearings and has issued reports about this country's intellectual property system and competition policy. The Commission is now seeking comments from interested parties about the evolving IP marketplace, including the development of models for buying, selling, and licensing (e.g., technology transfer). WARF is such a model – in our view, a successful one.



The Commission specifically solicits comments on the current marketplace for intellectual property, in particular its impact on innovation incentives and competitive concerns and the role of economic analysis in the assessment. WARF invites the Commission to work with the Association of University Technology Managers (“AUTM”) which issues an annual licensing survey (mentioned above), which quantifies data about university technology transfer, and also publishes *Better World Reports* which describe the specific public benefits that flow to the public through the inventive activities of universities and research institutes.

In these comments, WARF addresses three changes to the intellectual property marketplace that have occurred in the recent past, and the impact that these developments could have on innovation. Taken to their proposed ends, each would deleteriously affect the ability of WARF (and university technology transfer offices) to maintain continuing success. WARF’s ability to create over 60 start-up companies in Wisconsin would be compromised. Innovation would suffer.

First, the Commission has already received testimony about “non-practicing entities” (“NPEs”), sometimes called patent “trolls” or worse. NPEs do not practice their inventions in products or services offered in the marketplace. According to the testimony of Daniel P. McCurdy (December 5, 2008), NPEs derive or plan to derive all or most of their revenue from the enforcement of patents. Therefore, the UW-Madison is not an NPE, but WARF – the licensing arm of the UW-Madison – is an NPE. The characterization of WARF and other university foundations (such as the Washington Research Foundation) as NPEs is, of course, misleading and designed to confuse policy-makers and the public into believing that NPEs are not a model for innovation. The Commission should be reminded of the substantial successes of the Bayh-Dole Act and the benefits that flow to the public from a uniform government patent policy for federally funded research, publication/disclosure of inventions, and technology transfer to the public. It matters little whether a university acts to administer its patent portfolio independently or through a non-profit patent licensing organization. In fact, the latter model has worked quite well in Wisconsin and other states.

Second, significant infringement remedies, including monetary damages, and the presumption of validity benefit universities by encouraging licensing. The current incentive to license is extremely important for a university technology transfer office. While universities obtain many patents, they typically do not make products. Many state laws and constitutions, in fact, prohibit public universities from making products as being outside the university mission. Instead, universities and their patent licensing organizations (like WARF) depend on the ability to license to established or start-up companies to commercialize their inventions. If patents are weak and the monetary damages for infringement are low, or at least are not greater than the cost of licensing, basic economic theories teach that it is much less attractive for a company to take a license. In short, strong patents and a high cost for infringement stimulate innovation; weak patents and low costs for infringement weaken innovation.



Third, many organizations and entities (including the Commission) have supported procedures for post-grant review of issued patents. To the extent that post-grant/inter partes review permits serial challenges to the validity of a patent in addition to litigation, with little to no estoppel, the strength of the underlying patents will suffer as will the role of the university as a model for innovation and technology transfer.

Mr. Chairman, you and the Commission are highly respected for your support for intellectual property, competition policy, and consumer protection. The questions you pose about the development and functioning of markets are good ones. WARF wishes you luck in this important endeavor. We only ask that you avoid quick fixes in an evolving intellectual property market and that you be aware of unsubstantiated claims and false analogies. In a down economy, the stakes are too high.

Thank you for considering our views in this important inquiry.

Respectfully yours,

Carl E. Gulbrandsen
Managing Director