PATENT POOLING COULD DRAMATICALLY SHIFT CORPORATE-UNIVERSITY RELATIONS

A select group of American universities and multinational corporations has recently submitted its comments on a unique proposal for biotechnology patent distribution which could profoundly alter the way non-profit research centers and companies conduct the business of technology transfer. The architects of this novel patent pooling arrangement are Niels J. Reimers, director of Stanford University's Office of Technology Licensing, and Roger G. Ditzel, director of the University of California's Patent, Trademark and Copyright Office. The goal is to provide freer access to the "tools of biotechnology" than is possible under the current system of patent license shopping.

Reimers and Ditzel, co-administrators of the landmark Cohen-Boyer patent on genetic engineering techniques, offer a model which, if successful, would enable companies seeking key technologies resulting from university biotech research to negotiate with an independent University Licensing Association for Biotechnology (ULAB). A fixed royalty rate or membership fee would be paid to gain access to an entire pool of licenses for the use of basic biotechnology patents. The current proposal, which the authors emphasize is a rough draft to stimulate discussion, has been critically examined by 21 major biotechnology corporations and a handful of patent administrators at major universities.

Assuming that the ULAB proposal could persuade a core of universities and corporations to participate, ULAB would be established as an independent administrative structure, either profit or non-profit. Responsibilities would include publicizing the pool of licenses, arranging negotiations, collecting and distributing revenues (after subtracting ULAB's administrative fees), and establishing basic policies for the sale and use of the patents it controls.

The ULAB proposal should be taken seriously by American corporations and universities involved in biotechnology and should be examined by foreign corporations which consider licensing American technology. The model offers many advantages, but it poses some clear dangers which could undermine the current method of commercializing university research.

The draft proposal points out that this type of arrangement could speed the transfer of technology from the university laboratory to the manufacturing facility. It correctly claims that ULAB implementation would result in wider access to licenses of participating universities, more thorough prosecution of patent violators, faster corporate access to a larger range of biotechnology tools, and more uniform patent licensing policies.

The trade-off in any proposal of this type is the resulting loss of control over individual negotiation on the part of both the university and the corporation. Although the proposal notes exceptional cases in which companies could license individual patents through ULAB according to prices set by the university, the vast majority of licenses would be subject to a uniform set of regulations which insulate participating universities from direct contact with corporations.

The inventor may suffer the greatest losses under the arrangement, although his work may enjoy greater attention by industry. The university's share of licensing revenues is less likely to return to the laboratories of the researcher once an outside administrative body is introduced. This tendency would be increased if revenue statements, policies, and regulations which flow back to the university administration from ULAB tend to group the revenue-producing licenses together. Each invention would receive less recognition, and, more importantly, contact between the corporation and the inventor is likely to diminish under the ULAB proposal. This decreased contact may benefit long term basic research by allowing universities, instead of companies, to decide how and where to fund laboratory research.

The patent pooling system described in the ULAB draft might save costs of corporate negotiation and administration and result in a higher ratio of nonexclusive to exclusive licenses in biotechnology. By eliminating this competition for licenses which are entered into the pool, and making basic techniques more widely accessible to corporations, the arrangement could shift corporate competition from the university laboratory into the area of industrial scale-up and manufacturing. This could result in a wider variety of applications of the basic research available through the pool. This helps both the university and participating corporations in the short term, but it would be likely to weaken their relationships in the distant future. If the pooling system diminishes the negotiable value of each patent, the university and the inventor lose valuable revenues. At the same time, it would disturb the current trend among corporations to make unilateral, long-term commitments which benefit corporate research and development.

The ULAB proposal would be of greatest benefit to the universities which have a far greater capacity for producing good biotechnology research than for tracking and selling it. Given the rapidly growing awareness of university administrators about the commercial potential of biotechnology, the gap between research expertise and patent savvy is closing, thereby decreasing the need for ULAB. There is no compelling reason for a university with a sophisticated patent administration policy and a highly commercial set of patents to lose control over the negotiation process.

The ULAB proposal, with all of the potential advantages and disadvantages for concerned parties, highlights many of the central issues which universities and corporations must face as they continue to work together in biotechnology. Perhaps the proposal's greatest contribution is its availability as a conceptual tool for separating issues and forecasting new options that result from redefining university-corporate relationships.—**Christopher Edwards**