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Feb. 14, 2006

Robert Klein
Chairman
Independent Citizens' Oversight Committee
California Institute for Regenerative Medicine
210 King St.
San Francisco, CA 94107

Dear Mr. Klein,

The Intellectual Property Rules for non-profit institutions just approved by the Independent Citizens' Oversight Committee (ICOC) include important provisions in the public interest that reflect some suggestions made to the IP Taskforce. While the provisions move in the right direction, they need to be strengthened.

First, the regulations provide for a 25 percent royalty to be returned to the state when a grantee's revenues from licensing a discovery exceed \$500,000. A fairer threshold would be \$100,000 because the payment to the state is based on net revenue rather than gross revenue.

Second, there are provisions to help underserved populations gain affordable access to possible cures. Specifically, a drug or therapy would be sold to any publicly funded program at a price not to exceed the federal Medicaid price. Licensees would be required to develop plans to serve the uninsured. Lacking, however, is a provision to ensure reasonable prices for all Californians.

Certainly companies should make a fair profit on drugs they develop based on Proposition 71-funded research. But they must not be allowed to benefit unreasonably at the public's expense. The Attorney General should have the right to intervene -- "march-in rights" -- in the event of unreasonable pricing.

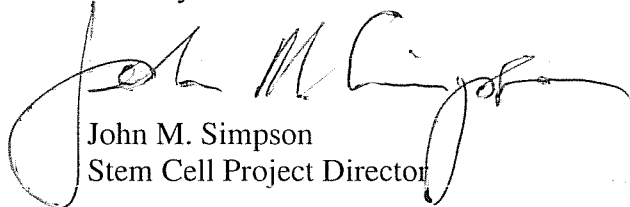
I hope this provision will be added to the non-profit regulations and also included as the IP rules for commercial entities are written.

The rules requiring grantees to negotiate non-exclusive licenses of Proposition 71-funded inventions whenever possible and to make inventions available for research purposes at cost will help ensure Proposition 71-funded research is widely disseminated and enhance the prospects of breakthrough discoveries.

I urge the ICOC to support the creation of a patent pool for stem cell discoveries to further enhance this process.

The Foundation for Taxpayer and Consumer Rights will continue to monitor the ICOC and the California Institute of Regenerative Medicine to ensure that the promises of Proposition 71, which the voters overwhelmingly supported, are kept.

Thank you.

A handwritten signature in black ink, appearing to read "John M. Simpson". The signature is fluid and cursive, with a large initial "J" and "S".

John M. Simpson
Stem Cell Project Director

CC: Dr. Ed Penhoet, Vice Chairman and Chairman of the Intellectual Property Taskforce