

WAR DEPARTMENT
SIGNAL CORPS LABORATORIES
OFFICE OF THE OFFICER IN CHARGE
FORT MONMOUTH

IN REPLY REFER TO

OCEANPORT, NEW JERSEY
April 22, 1932

Mr. William F. Friedman,
Office of the Chief Signal Officer,
Munitions Bldg.,
Washington, D.C.

My dear Friedman:

Reference is made to your letter of April 18. It is gratifying to note that 33 claims of our original 50 have been allowed in the first Patent Office action. I hope they were the right ones.

The matter of the government sequestering the patent presents several questions which would require consideration before any decision may be made.

The first consideration from the standpoint of the government is to determine the value derived from such an action. The government secured our patent for us and reserved the rights of manufacture or use, the exploitation of commercial rights being entirely under our control. Again the patent was conceived while we were on the governmental payroll. However, I am under the impression that a rather broad policy exists in this respect and that the government will appraise and pay for the privilege of withholding a given patent from commercial exploitation for a certain length of time.

The major points for the representatives of the government to determine are:

a. The likelihood of another inventor conceiving our same arrangement independently. There is always this possibility which seems to be increased by the number of inventors who are now devoting their efforts to cipher machines. A parallel circumstance of such independent conception is the carbon button telephone transmitter.

b. The appraisal of the value to the government and to ourselves of the restriction from commercial exploitation.

The Wrede report has been completed but has been held up waiting Captain Back's signature. He has been in Chicago for about one

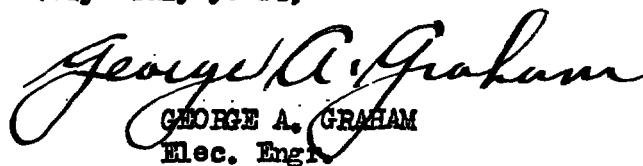
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week. You will probably receive the report the first of the week.

The cipher machine has proven very satisfactory at the lower speeds but I would like to thoroughly investigate the higher speed possibilities. The second machine is also under construction.

Very truly yours,


GEORGE A. GRAHAM
Elec. Engr.

GAG:F