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Date October 12, 1984

From Director
Division of Viral Diseases, CID

Subject The Question of Conflict-of-Interest When Government Employees Serve as Paid Officers or Consultants to Biologics or Biotechnology Companies

To Director
CDC

I believe there is a need for stating U.S. Government, DHHS, and/or CDC policies regarding the propriety of government employees' receiving payment for serving as officers or consultants to companies engaged in biomedical-biotechnological development and marketing. This matter has been brought up by several CDC staff members following examination of a prospectus for a stock offering by Cambridge BioScience Corp. In this prospectus, a government employee, Dr. Robert Gallo, of the NCI, is listed as a Scientific Associate for which he received on 2/9/83, 10,000 shares of stock valued at \$40,000. This Company is active in the very same field as represented by Dr. Gallo's lab at the NCI, namely the development of diagnostic tests and vaccine for HTLV-III virus, the etiologic agent of AIDS. The CDC staff members who have examined this prospectus are of the opinion that Dr. Gallo's public association with this company certainly will enhance the value of the stock offering described in the prospectus.

Other, similar involvements by government employees in biomedical and biotechnological companies are "common knowledge," although in most cases details are not available except as gossip. Likewise, there is gossip that NIH allows its scientists to accept consultant fees, major honoraria, etc.--"up to 30% of the salary base." This sort of involvement certainly must be considered as different from stock ownership (that is stock purchased in the usual way).

The CDC staff members have asked whether such involvement, for example by Dr. Gallo, represents a conflict-of-interest, and if not whether similar involvements might be permitted by CDC. Because so many rules and ethics have changed in the past few years regarding scientists' relationships with for-profit companies, we feel that an "official" statement is called for--if not from DHHS, then at least from CDC.

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cc:
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