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United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, D.C. 20510

DAVID BOIES
CHIEF COUNSEL AND STAFF DIRECTOR

February 7, 1979

Dear Colleague:

We plan to introduce in early February the enclosed "University and Small Business Patent Procedures Act." Chairman Peter Rodino and other members of the House Judiciary Committee will be introducing a companion bill in the House of Representatives.

The purpose of the bill is to encourage utilization of inventions arising from government-supported university and small business research. We would like to have your support of this important effort as a cosponsor of the bill.

The bill addresses a serious and growing problem: hundreds of valuable medical, energy and other technological discoveries are sitting unused under government control, because the government, which cosponsored the research that led to the discoveries, lacks the resources necessary for development and marketing purposes, yet is unwilling to relinquish patent rights that would encourage and stimulate private industry to develop discoveries into products available to the public.

The cost of product development exceeds the funds contributed by the government toward the initial research by a factor of at least 10 to 1. This, together with the known failure rate for new products, makes the private development process an extremely risky venture, which industry is unwilling to undertake unless sufficient incentives are provided.

The consequences of our inadequate government patent policy have not gone unnoticed. In the energy area, bureaucratic delays caused by case-by-case review of each patent application are now running behind by almost two years, and have brought segments of the Department of Energy commercialization efforts to a virtual standstill. In addition, DOE's general policy of taking ownership of all inventions acts as a significant deterrent to the participation of many of our country's innovative scientists in high-technology industries.

The problem is substantial in HEW, the Department of Defense, the Department of Agriculture and the National Science Foundation. But nowhere is the patent situation more disturbing than in the biomedical research programs. Many people have been condemned to needless suffering because of the refusal of agencies to allow universities and small businesses

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sufficient rights to bring new drugs and medical instrumentation to the marketplace.

The exact magnitude of this situation is unknown, but we are certain that the cases we have uncovered to date are but a small sample of the total damage that has been done and will continue to be done if the Congress does not act.

Science Magazine described the dilemma as follows:

"We see a prodigious R & D enterprise, fueled by tax dollars, constrained from diffusing its results because of a public policy barrier. Throughout the enterprise, discoveries sit stranded and aging. Meanwhile, we search for clues to what is wrong with U.S. technological innovation, and how it is that foreign industry can undercut American competition and employment."

The primary policy barrier identified in the Science article is the federal government's reluctance to grant patent rights.

The legislation we plan to introduce has broad support among the scientific, academic and small business communities, and it would cost the government nothing. Indeed, the government stands to have part of its research funds replenished under a provision of this bill which would require the patent holder to reimburse the federal research money out of royalties and income.

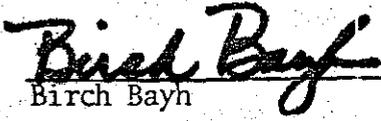
Specifically, this bill will allow universities, nonprofit organizations and small businesses to obtain limited patent protection on discoveries they have made under government-supported research, if they spend the additional private resources necessary to bring their discoveries to the public. Patent rights would not be available to large businesses for such inventions. The bill also will exclude private patent rights if the contract is for operation of a government-owned research or production facility, if the research is classified, or if patent rights would not be in the public interest.

We believe it is time to overcome the primary barrier to commercialization that now prevails, and to maximize the benefits anticipated from our federal R & D effort. The Congress must face this issue squarely and establish a federal patent policy that will encourage the movement of government-supported inventions to the people. To this end, we plan to introduce the "University and Small Business Patent Procedures Act" and seek your support as a cosponsor. If you would like to cosponsor, or if you have any questions, please see Senator Dole or Senator Bayh, or ask your staff to call Nels Ackerson or Joe Allen, 48191 or Brenda Levenson, 47563.

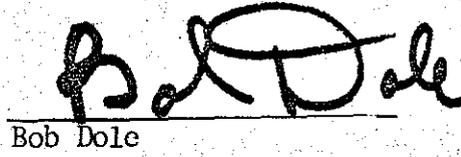
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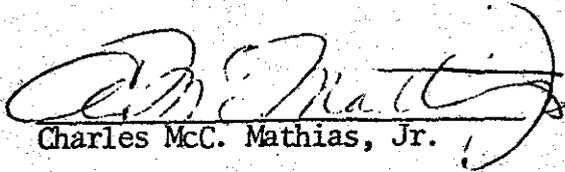
Sincerely yours,



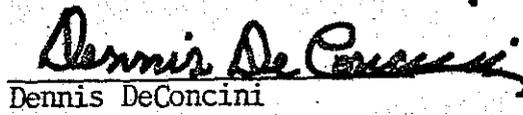
Birch Bayh



Bob Dole



Charles McC. Mathias, Jr.



Dennis DeConcini