

January 5, 1978

The Honorable Jesse Helms
United States Senate
Washington, D. C. 20000

Dear Senator Helms:

Senator Gaylord Nelson (D-Wisc.), Chairman of the Senate Monopoly Subcommittee, held hearings December 19-21 into what happens to the results of publicly-financed research.

In the press release of December 9 announcing the hearings he made statements so outrageous I can scarcely believe they came from a responsible individual. May I quote him. "For years the federal government has been playing Santa Claus to private companies by surrendering the rights to inventions developed with taxpayers' money. The American people are being robbed blind. Right now the government spends more than \$26 billion a year for research and development, most of it going to private industry. This is two-thirds of all the money spent on research in this country. Then, the government often gives those companies exclusive rights to the processes or products that result from this government-financed research. All too frequently, those private companies then set exorbitant prices when they market these inventions they developed with taxpayers' money. In other words, the public pays twice: first for the research and then for the monopoly profits resulting from these giveaways."

I could quote him further but this should suffice for the flavor of the diatribe. The list of witnesses who are to appear before the committee support the opinions expressed by Senator Nelson himself. I know of two organizations holding different opinions, backed by data, who requested to be heard but were turned down.

The simple fact of the matter is that 90 to 95% of the costs of bringing an invention to the market occur after the invention stage. They consist of (1) engineering and designing the product, (2) tooling up - manufacturing engineering, (3) manufacturing start-up expenses, and (4) marketing start-up expenses. No company will make these investments unless they have some assurance that they will have an exclusive right to the market until this initial investment is paid off. Otherwise, once the market is developed and proven, another company can copy the product and undersell because it had less investment to recover.

Senator Jesse Helms

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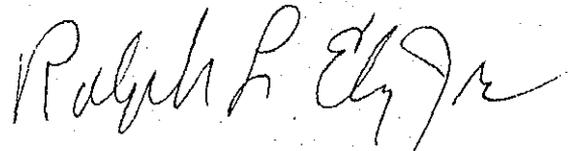
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The Department of Commerce, Department of Health, Education, and Welfare, Department of Defense, National Science Foundation, and National Aeronautics and Space Agency accepted this simple fact about the economic system long ago and will generally return the patent rights to the inventing institution if that institution promises to use its best efforts to market the invention. Only in this way can government improve the chances of transferring its technology to benefit the taxpayer.

The charges of exorbitant profits is ridiculous and indicates a complete lack of knowledge about the market place. Every company makes its profits on volume and to obtain volume the price must be low.

Thus, the hearings are a farce. While nothing can be done now to open the hearings I would ask that should any legislation reach the floor on the subject of government ownership of inventions, that you listen also to those who have data which show that the transfer of technology from government-supported research to the benefit of the taxpayer is best accomplished by granting patent rights to the private sector to provide the marketing incentive.

Sincerely,



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