AMERICAN COUNCIL ON EDUCATION
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WASHINGTON, D. C. 20036

DIVISION OF GOVERNMENTAL RELATIONS
(202) 833-4736

March 3, 1981

Mr. David A. Stockman
Director
Office of Management and Budget
Old Executive Office Building
Room 252
17th Street and Pennsylvania Avenue, NW
Washington, DC 20503

Dear Mr. Stockman:

On behalf of the American Council on Education representing over 1,600 colleges, universities, and associations in higher education, I am writing to urge your close scrutiny of regulations presently being drafted pursuant to P.L. 96-517, "An Act to Amend the Patent and Trademark Laws."

This recently enacted legislation establishes a uniform government-wide patent procedure for small businesses and nonprofit organizations performing government-sponsored research and development. The legislation grants small businesses, colleges, and universities a right of first refusal to title in inventions developed during the performance of government grants and contracts. This legislation represents a positive step toward the achievement of a federal patent policy which will lessen the administrative burdens on the agencies as well as on universities and small businesses. It is our present concern that the regulatory procedure currently being utilized may frustrate the intention of this enactment.

Generating inventions is almost never the main objective of research conducted by universities. Rather, an invention is generally an incidental by-product of the research university, largely attributable to serendipity, to the personal creativity of the investigator backed by his years of professional training and experience, and to the scholarly environment and research resources provided by the university. The college and university community is primarily concerned with the issue of how to vest primary rights in such a manner as to transfer invention and technology to the public for its use and benefit most quickly and economically.

Educational institutions are, of course, not organized to manufacture, produce, or market a patentable invention. Accordingly, if university-generated inventions are to be used, such institutions must interest those in the industrial world possessing the commercial capacity for invention and market development which the university lacks. University-based inventions tend to be in the early stages of development and therefore require substantial capital in order to prepare for the market. Under the legislation universities can furnish an exclusive license to developers for a limited period thereby securing the investment of necessary capital and providing that inventions are more likely to be developed to the point of marketability. P.L. 96-517 eliminates some 26 conflicting legislative and administrative policies and thereby increases the possibility that the public is likely

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to receive the benefits of inventions created at colleges and universities. The essential degree of exclusivity that is sanctioned under this legislation will provide private sources with sufficient incentive to develop a product or process.

We have recently learned that a GSA task force composed of representatives of those same agencies whose regulations were eliminated by P.L. 96-517 are now in the process of drafting regulations to implement the law. We are greatly concerned that these agencies whose ineffective and burdensome patent policies were replaced by the new legislation are intent upon subverting, by improperly drawn regulations and insensitivity to the needs of universities and small businesses, the regulations necessary to carry out the thrust of this legislation. We have strong reservations about the present procedure being employed for the promulgation of regulations. P.L. 96-517 is either silent or leaves broad discretion for implementation. It is our belief that without meaningful Executive Office intervention, the regulations drafted pursuant to P.L. 96-517 will permit each agency to be the ultimate arbiter of policy matters emerging from implementation of the regulations. The reestablishment of an uneven and fragmented policy would frustrate the major purpose behind the legislation which sought to establish a uniform and coherent government patent policy.

We urge you to immediately withdraw responsibility from the interagency task force for the drafting of regulations pursuant to P.L. 96-517, and to reconstitute a body which would be attuned toward promulgating a coherent government patent policy. We further suggest that you coordinate implementation of Section 6 of P.L. 96-517 under the auspices of your office and convene an ad-hoc interagency committee to prepare an advisory report for OMB to be chaired by a member of your immediate staff. The establishment of guidelines that will insure the realization of such long-range benefits as: institutional oversight and evaluation, reasonable reporting requirements, evaluating the impact of the law, and providing for appellate review of actions taken under the legislation will provide the necessary impetus for the establishment of a truly unified federal patent policy.

We urge you to take immediate and appropriate steps to insure that the results of basic research conducted at colleges and universities pursuant to federal funds are fully employed in reaching the goals of expanding technological development and productivity improvement. The withdrawal of responsibility from the interagency task force for the drafting of regulations under P.L. 96-517 pending an intensive review by you and your staff will be an essential first step toward insuring that the goals of the legislation are realized.

We will be pleased to meet with you and your staff to discuss our concerns relating to the regulations to be issued and stand ready to help you and your department in maximizing the public benefit to be achieved through the enactment of this legislation.

Very truly yours,

Sheldon Elliot Steinbach
General Counsel

cc: Martin Anderson