Latker

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Productivity, Technology and Innovation
Washington, D.C. 20230
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MEMORANDUM TO: Joe Caponio
Dave Goldman
Phil Goodman
Fred Haynes
OPTI Directors

FROM: Jack Williams Jack Williams

SUBJECT: PTI Legislative Agenda

Attached is a rough draft by Bruce of some legislative needs. Please review your own areas to determine whether additional needs can be added to this list. If so, write them up, preferably on one page, and get them to me by December 12. Also, please feel free to make suggestions on the attached write-ups. For example, Norm Latker will wish to add his legislation on Government operated Federal laboratories. Bill Nelson may wish to add a piece on the transfer of Federal technology on computer interactive computer training.

We can then discuss legislative needs and their strategies.

Attachment

cc: Bruce Merrifield

Legislative Needs

I. Tax Incentives for Innovation

There is a unique multiplier factor in the innovation process, that not only raises the quality of life, and generates jobs, but also pays back tax-dollars-invested 5 to 10 times through increased tax revenues. The alternative to investment in new technology is rapid obsolescence in increasingly competitive world markets, loss of jobs, and a lower quality of life.

Moreover, the pace of new technology development is now so great that unparalleled opportunities are available for new product and process innovation. Incentives are needed to stimulate higher-risk, longer-term, next generation technology development, and the least interventionist method for stimulating innovation is through tax incentives.

The suggestion is to make permanent the 25% R&D incremental tax incentive, and also allow it for new ventures and R&D Limited Partnerships. (Such legislation also should clarify ambiguities in the tax laws.)

II. Tax Incentives for Computer Interactive Education

Pilot studies have shown that the use of videodisc and computer interactive software can significantly increase both that quality and productivity of education. Rate of learning often is increased 100-500%; and 75% retention of learning can result, v.s. an average 15% in the normal schoolroom. Perhaps most important of all, black children do as well as white children, opening up the possibility of rapidly reversing 3 generations of entrenched poverty in our inner cities.

The technology is available not only for revolutionizing primary and secondary curricula, but also for continuous reskilling of the work force as skills become obsolescent more and more rapidly. The need is to provide incentives for developing the multiple-skill systems required.

The suggestion is that this legislation be combined with the previous legislation providing tax incentives for R&D, and that "curriculum development" be clearly defined as qualifying as R&D.

III. Declining Industries Bill

Antitrust laws need further revision to allow mergers, consolidations and other pro-competitive (world-market) measures for companies that:

- o Have been operating at a negative cash flow for ___ number of years (determined by inflation-corrected accounting methods).

- o Are operating in world over-capacity industries in which foreign nations are "targeting".

- o Are operating obsolescent facilities by world standards.

Under these conditions, companies affected should be exempt from antitrust restrictions.

IV. Federally Funded Technology Transfer to the Private Sector

Under current law, federally funded technology contracted to large companies (more than 500 employees) must be owned by the government.* However, government ownership

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*The Bayh-Dole bill allows universities and small companies to claim ownership.

places intolerable bureaucratic impediments in the way of licensing this technology to private sector companies for commercial exploitation. As a result, only about 4% of 28,000 government patents have ever been licensed.

Retention of ownership on an exclusive basis is recommended for the contracting company.

The contracting company is the expert in the technology and has the best chance of exploiting that technology in the shortest possible time. With life cycles for new products and processes rapidly telescoping to 3 to 5 years, rapid development and market penetration are critical for commercial success. Otherwise, the technology tends to be wasted at great loss to the taxpayer who has funded the work.

It is recommended that current regulations be modified to allow exclusive contractor ownership of federally funded technology regardless of company size.