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DEPARTMENT OF CONTRACTS AND GRANTS

WASHINGTON OFFICE
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SUITE 701
WASHINGTON, D.C. 20006
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June 10, 1980

The Honorable Carlos J. Moorhead
2442 Rayburn House Office Building
Washington, DC 20515

Dear Carlos:

As president of the Society of University Patent Administrators (SUPA), I have received the attached information from our Federal Relations Committee.

Your consideration of H. R. 2414 in light of the attached will be appreciated.

Thank you for your assistance.

Sincerely,

Clark McCartney ko

Clark McCartney
Executive Director

CAM/ko
Enclosure

cc: Helen Carrier
✓Howard Bremer
University of Wisconsin

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1. Bruce Lehman of Kastermeier's staff has indicated that the Kastermeier subcommittee plans to mark-up H.R. 6933 (the administration's patent bill) rather than S. 414 on May 28 or 29.
 2. Lehman indicated that H.R. 6933 would be amended to result in the following:
 - a). A title on disposition of inventions made in performance of government funded research to universities, other non-profits, small business and big business. Universities, non-profits and small business would retain title for the life of any patent issued on an invention, while big business would obtain an exclusive license for five years in all fields of use with an option for continued exclusivity after five years in identified fields of use in which development will be pursued. (This distinguishes from earlier administration versions, in which big business obtained an exclusive license for the life of patent in fields of use chosen at the time of invention reporting).
 - b). A title covering re-examination of issued patents at the request of any party.
 - c). A title on new Patent and Trademark office fee schedules including for the first time patent maintenance fees to be paid over the life of the patent, and
 - d). A title to restore the patent term to its original 17 year period for products subject to premarketing review requirement. The term of a patented product would be extended by a period equal to the time required for regulatory premarket testing and review, up to a maximum of seven years.
 3. Revised H.R. 6933 will surely be controversial and endanger passage of S. 414 and H.R. 5607 and any other bill covering re-examination for at least the following reasons:
 - a). Big business inclusion in the disposition section of S. 414 was already contemplated as part of S.414 and was defeated by the Senate 60-34.
 - b). Big business inclusion in the disposition section is also inconsistent with the separate special policy treatment recommended for small business by the White House Commission on Small Business. (p. 13).
 - c). Retention of exclusive rights by big business in inventions funded by civilian agencies is tantamount to subsidizing big business's commercial line of research and could result in such businesses abandoning their research for government funded research.

- d). This advantage to big business would further disadvantage small business from obtaining a fair share of government research and development contracts due to increased competition from big businesses for federal R&D funds,
- e). Retention of exclusive rights by big business in inventions funded by civilian agencies could promote further concentration of such business,
- f). Surrender of exclusive patent rights to big business as a general policy decreases a civilian agency's ability to negotiate cost-sharing contracts on a case-by-case basis,
- g). A limited exclusive license left to big business dealing with mission agencies such as NASA and DOD will not be acceptable to such businesses since both these agencies ordinarily leave full title to the contractor, for the length of the patent, in inventions made in performance of their contracts.
- h). While appealing in theory, there is little support as yet for restoration of the patent term lost through regulatory review as there is little evidence that this has caused a loss in incentive to do research and development. It is clear, however, that the added period of exclusivity will decrease competition and increase inflation by adding millions of dollars to drug company revenues.
Since medical devices are not covered by the title as drafted, there is little to appeal to small business as they are infrequently involved in development of new drugs or other commercially marketed chemicals.
- i). There is little doubt after consideration of the above factors that S. 414 which was intended to resolve the real problems of small business and universities is now being held hostage because of its overwhelming support by those who wish to resolve the purported problems of big business without developing their own forum.