

AMERICAN COUNCIL ON EDUCATION
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DIVISION OF GOVERNMENTAL RELATIONS
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November 30, 1979

M E M O R A N D U M

TO: Robert Barlow
Chairman, Ad Hoc Science Committee

FROM: Sheldon Elliot Steinbach
General Counsel

SUBJECT: S. 414 Patent Legislation

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Last week the Senate Judiciary Committee unanimously reported out S. 414, the University and Small Business Patent Procedures Act (Dole-Bayh).

S. 414 would establish a uniform, government-wide patent procedure for small businesses and nonprofit organizations performing government-supported research and development. The bill would automatically grant small businesses and universities title to inventions arising from government-supported research unless the contracting agency could justify, through specified procedures, holding title to the invention. The small business or university would be required to commercialize the results, and return a percentage of profits to the government. We believe the bill represents a positive step toward a federal patent policy which will lessen administrative burdens on the agencies as well as on universities and small businesses.

The Committee recognized that educational institutions are not organized to manufacture, produce, or market a patentable invention. Thus, if university-generated inventions are to be used, such institutions must interest those in the industrial world who have the commercial capability for invention and market development, which the university lacks. We sought to establish that university-based inventions tend to be in the early stages of development, and therefore require substantial capital in order to prepare for market. Therefore, if universities cannot furnish an exclusive license to developers for a limited period and thereby secure the investment of necessary capital, inventions are less likely to be developed to the point of marketability, and thus the public is unlikely to receive the benefits from such inventions. S. 414 provides the essential degree of exclusivity, that will provide private sources with sufficient incentive to develop a product or process.

Current Action

The way seems clear for Senate action early next year. Hearings on the House side may begin as early as next February.

At this time it would be helpful to have schools with members on the House Judiciary Subcommittee on Courts, Civil Liberties, and the Administration of Justice write their Congressmen indicating support for H.R. 2414 (Rodino companion bill to Dole-Bayh).

Our only real concern at this moment arises from rumors that the Administration is seeking to amend S. 414 and H.R. 2414 to include all businesses under its beneficial patent provisions. Such a move would substantially erode the coalition that successfully carried the bill through the Senate Judiciary Committee and raise significant objections to the legislation among prominent Senators and House leaders. Your effort with the Domestic Council on this issue is critical to the passage of the legislation.

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