

XCC Lasker, Latker, Horan, Bremer  
NSF REW SUDATE: May 18, 1978  
PATENT BRANCH, OGC  
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TECHNOLOGY LICENSING

TO : Niels J. Reimers  
Office of Technology Licensing

FROM : Clive S. Liston, Sponsored Projects  
Patent and Copyright Affairs

SUBJECT: Proposed Bill Relating to University and Small Business Research  
Utilization

Many thanks for the copy of the proposed bill. I have read it through and believe that, if enacted, it would be very effective in reducing the contract administration load of universities and small businesses as well as assisting in the development of new technology.

I particularly enjoyed the accompanying background paper written in support of the proposed legislation. Whoever wrote it did an excellent job in analyzing the current situation and the attitudes and events leading to our present difficulties.

The idea of dealing with the problems of universities and small businesses in this area by means of a single piece of legislation seems a novel, yet logical and very promising, approach. As pointed out in both the sectional analysis and the background paper (and as we know from long experience) existing legislation and regulations are designed for big business. Universities and small businesses do not usually have the staff, facilities, and budget to meet such requirements.

I think it may be helpful to note some problem areas which may need to be addressed more directly in the bill.

The first problem arises from the fact that small businesses do not always remain small. They can grow, either independently or through takeovers and mergers, to the point where they no longer qualify as a small business under 15 USC 632. The cash offer for shares and other considerations in takeovers and mergers is based on a number of factors, including the patent assets of the small business. Consequently, the question of title in a key invention may be critically important in any such transaction. This situation is not addressed explicitly in the bill.

A second and perhaps minor problem arising from the combination of university and small business interests in one bill is that of copying with charges of unjust enrichment at public expense when, for example, a university researcher makes an invention under a government contract and then proceeds to establish a company, largely financed under this or another government contract, to develop and manufacture the invention.

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Such a charge is easy to make and rather difficult to refute effectively when arguing with individuals who are not familiar with either patent law or government contract regulations. I believe it would be helpful to anticipate and provide in advance the basis for dealing with such charges.

On the whole, I like the approach taken by this bill. Although I believe there would be fewer problems initially if the bill were confined solely to universities and non-profit organizations, I think it is in everyone's interests to attempt to resolve the complete range of problems addressed by this bill as planned.

cc: D. Bacon  
E. Cilley  
P. Fihe  
M. Hudnall  
W. Field

*Clive*