

OPENING STATEMENT
by
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The hearings which the Monopoly Subcommittee of the Senate Small Business Committee is holding during the next three days are the initial phase of an extensive study to be conducted over the next two years into the policies of the departments and agencies of the Federal Government with respect to the disposition of the results of publicly-financed research. It would be more accurate to say that these hearings are actually a resumption of those held by this Subcommittee on this subject in 1959, 1962, and 1963 under the chairmanship of Senator Russell Long.

There is no uniform Government policy with respect to the disposition of rights resulting from publicly financed research, that is, government patent policy. Federal agencies have sharply varying policies with regard to taking title to patentable inventions made under research and development contracts with private organizations. These policies range from automatically giving the patent and all commercial rights to the research firm to the taking title on behalf of the public to all inventions which result from the contracts.

The subcommittee is interested in the impact of these policies and practices on such matters as monopoly, concentration of economic power, technological progress, economic growth, consumption, and small business. It is our view that the considerations that ought to govern this question are of a broad social, economic, and political nature and not just the limited objectives of a particular agency.

This year the public, through its government, will spend an estimated \$26 billion on research and development, constituting about 65 percent of all the R&D money spent by all

by all sectors of our society. Most of the Government-financed R&D will be performed under contracts by private industry.

The magnitude of this effort makes it apparent that the distribution, and Federal policies in the handling of the inventions resulting from these contracts, have a significant effect upon the structure of the U.S. economy.

These hearings will examine three problems:

First, there is the problem of increasing economic concentration brought about by the granting of patent monopolies to individual firms for discoveries which result from Government-financed research and development contracts.

The report of the Attorney General, dated November 8, 1956, insisted that the present Federal policies, combined with the disproportionate share of Government research and development contracts going to the largest firms, is strengthening the trend to monopoly and weakening further the relative position of small business. The report of the Attorney General, three years later -- November 9, 1959 -- repeats the same warning:

"The advance technological experience of these firms will necessarily have profound effect on their ability to produce the products of the future for civilian markets, and more important, on the ability of smaller firms to compete with them in those markets."

Second, there is the problem of assuring that newly acquired technological information developed at Government expense and not of a classified nature is diffused throughout our society. The American people foot the bill. Do they receive commensurate benefits from this work?

Third, is the problem of whether the U. S. Government is getting all that it pays for from its research and development dollar. Is the Government giving away more than it should in the granting of its R&D contracts? Is it possible to recover

part, or perhaps all, of our expenditures on research and development?

In view of the magnitude of the sums involved, it is appropriate that Congress carefully examine this whole field.