

STATEMENT OF NORMAN A. JACOBS
ON BEHALF OF
THE LICENSING EXECUTIVES SOCIETY (U.S.A.)
FOR THE RECORD OF HEARINGS
ON INSTITUTIONAL PATENT AGREEMENTS
BEFORE THE
MONOPOLY SUBCOMMITTEE ON THE SENATE SELECT
COMMITTEE ON SMALL BUSINESS

June 21, 1978

I am pleased to have the opportunity to present the views of the Licensing Executives Society (U.S.A.) on Institutional Patent Agreements.

The Licensing Executives Society consists of 1500 members in the U. S., and an equal number in affiliated foreign societies, all of whom have a significant responsibility for licensing and technology transfer. Our members represent both large and small companies, as well as universities, independent invention development organizations, attorneys and consultants. We are involved in licensing technology on a daily basis on behalf of our employers or clients, and most of us are equally active as licensors and licensees. I am a past president of the Society.

I am also a business executive who is vitally concerned with the development and commercialization of new technology. I am president of Amicon Corporation in Lexington, Mass., a fifteen-year-old company, with 250 employees. We began as a research organization, and we have now built two successful businesses by commercializing inventions made by our scientists in the mid-60's. One business involves the production and sale of unique

membrane filtration systems used in medical research and clinical diagnostic applications. The other produces novel epoxy adhesives and electrical insulating materials used by a wide variety of manufacturers of automobiles, appliances, electrical and electronic products.

Since the IPA involves a species of Government patent policy for Federally-sponsored research and development, it is appropriate to first consider Government patent policy as a whole.

Background

Exclusivity is the key in providing incentive for the development of inventions to the point where they can be commercialized and thus be made available to the public in a form it can use.

When the U. S. Government sponsors research and development, it is to further the public interest -- to plant "seeds" for new ideas, new products, new processes -- Government must then assure the environment to bring the results of these seeds to benefit the public at the earliest possible time. The opportunity for reward provided by exclusive rights, as conceived by the fathers of this nation and expressed in the Constitution, Article I, Section 8, in my view, provides the greatest assurance that new ideas will be brought to the public in useful form, at the earliest possible date.

My company needs exclusive rights to justify investment in a new product or process. Mere non-exclusive rights will not protect us from one who could get a "free-ride" by copying our efforts at the very moment we bring the product to the marketplace. Non-exclusive rights may be enough for an established company in an industry, with an existing marketing organization; they are not adequate, however, for a company to enter a new field.

A sweeping generality, but one that is largely true, is that patent rights and technology rights that are available to everyone are of value to no one. For example, note the very limited commercial use that has been made of the many thousands of Government-owned and patented inventions.

Thus, despite the billions of dollars being devoted to Government-sponsored research and the increasing proportion of our national research investment that is so financed, far too little industrial effort is devoted to commercialization of this research. I believe there are several reasons for this situation:

1. The largest proportion of academic research represents a search for basic scientific knowledge. The results of each project add to our understanding of the chemical, physical, and biological principles upon which applied research and engineering may build, but the results do not on their own provide the basis for a new product or process.

2. The few product or process concepts that do result from academic research are just that -- bare concepts that are far removed from the practical needs of the industrial or retail consumer.
3. The prevailing view in industry is that it is difficult or impossible to obtain a strong enough proprietary position in Government-sponsored research to justify the time and money required to commercialize such a concept. Companies know that the research is going on, but few companies have active programs to search out and utilize these research results.

The IPA Program

The IPA program appears to be a promising approach to overcome these problems.

First, it provides the vehicle to involve the inventor actively in the commercialization process. Companies are rarely interested solely in the legal rights under a patent. They really want a close tie with the inventor to aid them in the further development effort that will be required. The university licensing organization is uniquely equipped to provide this bridge between university researchers and industry.

Second, the IPA provides a vehicle for an interested company to rapidly obtain licensing rights, without the delay and uncertainty of petitioning a Government agency.

Third, the IPA provides the opportunity, when justified, for an industrial concern to obtain the critically needed period of exclusivity, so that the company can justify the investment of time and money in the commercialization process.

The two Presidential declarations of patent policy in 1963 and 1971 support the view that title to such inventions should rest in the contractor subject to narrowly defined exceptions. With respect to the Presidential Administration involved in the latter of the two declarations, the "entrepreneurial" approach was emphasized in A Look at Business in 1990 wherein it is stated:

There was general agreement that regardless of data, money to process it, an information-dissemination system, and the requisite capital and technological infrastructure, the final movement of technology depends on the individual entrepreneur successfully adapting his knowledge to new problem situations. The human element is the key to the application and transfer of technology. Thus, the catalytic, entrepreneurial individual is the missing link in the flow from source of technology to the use of technology. The United States has an abundance of sources as well as many needs for its application.

* * *

The workshop participants agreed that the benefits that flow from technology must be demonstrated to the American people, and that this is a responsibility for business and industry to accept. Implicit in this assumption of basic leadership and responsibility is conviction that in doing so, the spawning ground for individual and corporate entrepreneurial initiative would be nurtured and sustained. This was accompanied by the belief that too much dependence has historically been placed on the federal, state, and local governments to solve the problems of technology transfer and application. This function really belongs to the private sector, and it must accept the leadership role. (Emphasis added.) *

It follows, that unless the private sector is provided with the "exclusivity" incentive, the entrepreneurs will not be stimulated.

* U. S., President, A Look at Business in 1990 (Washington D. C.: GPO, 1972), pp. 182-183. This publication (hereafter referred to as "1990") is a report on a three-day White House Conference on The Industrial World Ahead, convened in early February 1972 in Washington, D. C. It was unique in that it was the first Conference exclusively concerned with business and the first one on the future. It involved an assembly of about 1500 key decision makers who met to consider the issues, challenges, and opportunities confronting the American business system in the coming two decades.

In summary, we believe:

- 1) The IPA program is worthwhile and should be continued. It provides an excellent vehicle to bring the benefits of academic research to the public.
- 2) The GSA regulations deserve our support and should be given a fair trial.
- 3) The IPA program is especially valuable to smaller companies, and companies entering a new field, who must have exclusivity for a limited time in order to justify their investments.

Thank you for the opportunity to appear before this Committee.

I shall be happy to answer any questions you may have.