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March 29, 1996

Hon. Mary L. Good
Under Secretary for Technology
U.S. Department of Commerce
Room 4824
14th Street and Constitution Avenue, NW
Washington, DC 20230

Dear Dr. Good:

A report recently issued by your office, titled "Effective Partnering: A report to Congress on Federal Technology Partnerships" has recently come to my attention. While there are many interesting and useful ideas embodied in the report, one set of recommendations in particular is very troubling. Specifically, I refer to those portions of the report that relate to the applicability of the Bayh-Dole Act of 1980 to research ventures in which a government agency joins with a private sector partner in pursuing promising ideas for the advancement of specific technologies.

The report (pp. 12-13) appears to advocate that the Department use its oversight powers under Bayh-Dole to press for revision of the implementing regulations in order to expand the use of "other transactions" and "exceptional circumstances" authorities under the law, through which CRADA participants would presumably be freed from obligations to make technologies available for licensing to small business and university participants in the CRADA. Such a policy, if adopted wholesale, would have the effect of substantially repealing Bayh-Dole, and place the Commerce Department in the position of being the only agency urging restriction of hard-won rights secured for universities and small businesses through the provisions of this act.

The extension of these rights was the end result of a lengthy, bipartisan effort to establish a structure of law which would encourage, not discourage, the commercialization of technologies developed with federal funds. And the initial focus of Bayh-Dole was exactly right: to start by allowing small businesses and universities the flexibility to own intellectual property rights and thereby provide the incentives for bringing new technologies to market.

At a time when university-industry collaborative agreements are reaching unprecedented heights and many states, like my own, see their university systems coupling with innovative small businesses as essential players in the development of new state industries, any weakening of the provisions of Bayh-Dole makes little sense.

These recommendations would appear to be based upon the Department's apparent bias against university intellectual property ownership in the context of the ATP program. As you know, I drafted an amendment to make clear the applicability of Bayh-Dole to the ATP program (although I believe that it applies to that program already) but agreed to drop the amendment in order to speed passage of the National Technology Transfer and Advancement Act of 1995/1996. I remain convinced that an ATP program administered with full reference to the applicability of Bayh-Dole is a stronger ATP program. The Bayh-Dole principles of decentralized management of technology by the originating organization coupled with incentives for commercialization have proven to be the most effective tools for moving new technologies from the federal lab to the private sector that have ever been devised. Yet the Report's recommendations bespeak a return to centralized, bureaucratic management of technology which the Department itself has cited as a failure in previous reports.

As Chair of the Subcommittee on Technology, I request that the Department of Commerce halt immediately any actions to implement these recommendations until our Committee can hold hearings on these extraordinary proposals. Also, I would request that your office submit to me all previous rulings on the use of exceptional circumstances provisions under the Bayh-Dole Act during this and previous administrations. Finally, I would ask that the Technology Administration provide the underlying data or supporting analyses which led to the conclusion to advocate expanding the use of exceptional circumstances provisions of Bayh-Dole, and which are the claimed justification for favoring the removal of rights from small business/university subcontractors for the benefit of large prime contractors.

The phenomenal record that our nation's small businesses have compiled over the past twenty years in creating new industries and jobs would, one would think, have lain to rest government biases in favor of big business as the progenitors of technological advancement. Your office's report, however, seems to see it differently, much to my concern. If there are facts suggesting that restriction of small business and university rights will somehow strengthen this country's position in the fight for global competitiveness in the next century I, for one, would like to know what they are.

I appreciate your complete cooperation.

Sincerely,

Connie Morella

Constance A. Morella
Chairwoman, Subcommittee on Technology

Effective Partnering

A Report to Congress on Federal Technology Partnerships

Preview Copy

SEE PP. 4/7 12

NO MENTION of Bayh/Dole

FOREWORD

During the last fifteen years, successive Congresses and Presidents have introduced a range of policies and programs that are designed to increase the effectiveness of government mission R&D and enhance U.S. technology-based economic growth. These policies and programs include:

- Licensing of Federal Patents
- Cooperative Research and Development Agreements (CRADAs)
- The Small Business Innovation Research program (SBIR)
- The Advanced Technology Program (ATP)
- The Manufacturing Extension Partnership (MEP)

Taken as a whole, this series of policies and programs illustrates a gradual evolution from the historic model -- in which government is the principal customer for federally supported technology -- to inclusion of a newer paradigm appropriate to this era of dynamic commercial markets and global competition. In this new paradigm, government is **partner** with the private sector in developing and deploying new commercial technologies that both fulfill mission objectives and enhance U.S. industry's market strength.

Extensive consultation with the private sector confirms that these partnership policies and programs, in combination with incentives for capital formation and regulatory reforms that reduce risk, are important in stimulating technological innovation and improving U.S. competitiveness.

This report analyzes this historic transition and illustrates best practices of the new paradigm across the range of programs. It also offers recommendations for further improving the effectiveness of present and future public-private partnerships.

Graham R. Mitchell
Assistant Secretary of Commerce
for Technology Policy

- **Government agencies are adopting a new paradigm for technology partnerships.**

  Government agencies are experimenting with and adopting a new model of public-private partnership, in which the private sector is recognized as the government's partner in cost-shared technology development and diffusion programs. The new paradigm is enabling agencies to achieve missions more effectively and is enhancing the impact of federal R&D partnerships on the U.S. economy. Newer direct competitiveness programs (ATP and MEP) and the defense dual-use TRP program, which were designed according to the principles of the new paradigm, are drawing strength and support through their interactions with the private sector. In addition, new paradigm principles of service and improved accountability have improved the operations of the older programs that enhance the efficiency and commercial impact of government mission R&D.

Recommendations

Although individual federal agencies have already made significant progress improving the effectiveness of programs and incorporating many features of the new paradigm, there is an opportunity to learn from the best practices across all agencies. To the extent permitted by agency missions, the agencies should:

- **Make Partnership Opportunities More Accessible and Easier to Identify**

  - o Disseminate information on federal research projects, expertise and intellectual property through both public and private means.
  - o Serve as a catalyst to promote matching of new technologies developed in programs with sources of capital and other support.
  - o Increase public-private exchanges of scientific and technical personnel.
  - o Use participation in and support of industry consortia and other "umbrella" organizations as a means of ensuring broad private sector access to partnership opportunities

- **Ensure Effective Protection of Intellectual Property**

  - o Use panels of industry representatives to help identify the commercial potential of agency research and of new inventions at as early a point as possible.
  - o Use procedural options under the patent laws to secure additional time to collect private sector advice and to ensure that appropriate protection is sought.

- **Be a Better Partner: Improve Speed, Flexibility, and Predictability**

  Make Administration of Partnership Agreements More Responsive to Industry Needs

  - o Use whatever form of funding agreement provides the agency with maximum flexibility to adopt commercial practices in structuring the agreement.
  - o Direct agencies to use, where available, "other transactions" authority or other comparable authority permitting greatest possible flexibility in the terms of collaborative research agreements.
  - o Increase speed with which the agencies fund partnerships, once agreed to.
  - o Where appropriate, use the "exceptional circumstances" authority of the Bayh Dole Act to permit industry to own or control the rights in inventions resulting from federal funding (including those made by subcontractors).

  Make Partnership Agreements Easier to Negotiate

  - o Use state and local economic development organizations, industry associations and other intermediary organizations as partners, providing an "umbrella" under which individual businesses can perform collaborative research.

  Make Partnership Agreements More Predictable

  - o Seek public-private agreement on the basic principles for partnership agreements.
  - o Build on these principles to provide uniform agreement terms, where possible, and to make negotiations faster and outcomes more predictable.
  - o In the case of CRADAs, agree to provide private sector partners the option of an exclusive license to inventions developed by federal agency employees in connection with the partnership.

Bayh / Dole doesn't apply

takes patent rights away from universities + small businesses

- **Help Small Businesses Secure Necessary Business and Financial Advice from State Programs and Private Sector Sources**

  - o Work with state and federal agencies to increase the support available to small businesses and others needing to improve their competence in the commercialization of new technologies.

- **Further Increase Private Sector Role in Project Definition and Selection**

  - o Seek private sector views concerning the portions of mission research agenda with greatest commercial potential.
  - o Use this continuing source of guidance as a basis for selecting technology areas in which partnership opportunities will be offered under the partnership programs.

- **Shift to Commercial Financial Management Practices**

  - o Wherever possible, eliminate FAR Part 31 accounting requirements for private sector participants in research partnerships in favor of commercial practices.
  - o Review accounting procedures in all other programs with the objective of minimizing special standards imposed on private sector participants and following commercial practices more closely.

- **Continue Developing Systems of Measuring Program Results**

  - o Work in collaboration with other agencies and with interested private sector parties to identify appropriate measures of effectiveness for those types of research partnerships in which the agency participates.
  - o Ask the National Science and Technology Council or other appropriate organization to lead an interagency effort to coordinate agency measurement systems into a comprehensive measurement system for all federal partnership efforts.

NEXT

TECHNOLOGY TRANSFER

– the process of enabling a business to benefit from technology developed outside that business.

Sources of technology

- Company laboratories
- Research associations
- Universities and polytechnics
- Research councils
- Government research establishments (including defence)
- Foreign sources
- Private inventors
- Existing businesses

What can be transferred?

- Knowledge
- Patents
- Software (copyright)
- Knowhow
- Product licences
- Replicable businesses
- Trade names and trade marks

Methods of transfer

- Licensing
- Publications and literature
- Setting up a new business
- Acquisitions
- Franchising
- Contract R & D
- Consultancy
- Transfer of people

THE TECHNOLOGY TRANSFER PROCESS