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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20541

B-140660

October 9, 1979

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The Honorable Edward M. Kennedy
Chairman, Committee on the
Judiciary
United States Senate

Dear Mr. Chairman:

Your letter of August 28, 1979, asked that we prepare the analyses required by Senate Rule 29.5 for Senate bill 414, the "University and Small Business Patent Procedures Act." The proposed act would establish a Government-wide patent policy for Federal agencies to follow in dealing with small businesses and nonprofit organizations performing Government supported research and development. It would also establish a framework for the licensing of Government-owned inventions.

We appreciate the opportunity to assist you and the Committee in evaluating this bill as required by Senate Rule 29.5. As discussed with the Committee staff, we agreed to provide comments on the bill, addressing the rule's various elements. Senate Rule 29.5 calls for an assessment of a bill's economic, paperwork, and personal privacy impacts. Based on a limited review of Senate bill 414, we believe it will produce no adverse impacts in any of these areas.

As I stated in my May 16, 1979, testimony on the bill before your Committee, we believe the bill represents a positive step toward achieving a uniform patent policy for the Federal Government which should lead to lessening the administrative burdens on the agencies as well as on universities and small businesses.

The following paragraphs briefly address each element of Senate Rule 29.5.

Economic Impact

Based on the scenarios described by experts on the issue of granting patent rights on inventions resulting from federally-financed research to universities and small businesses, the potential economic impacts of Senate bill 414, though not measurable at present, appear to be, on the whole, more positive than otherwise.

The Committee may wish to consider directing the agencies to prepare evaluation plans for assessing the impacts of the legislation after it has been implemented. These plans would serve to aid the Congress in conducting oversight hearings and would provide the basis for evaluating the results of a uniform patent policy for small businesses and nonprofit organizations. Such evaluations could also aid the Congress in considering whether to legislate a Government-wide patent policy applicable to all contractors.

Some of the issues which should be addressed include whether or not:

- the benefits from the potential increase in utilization of discoveries would be better than that derived from the now delayed utilization, especially for the health and medical-related discoveries;
- the administrative costs of present patent policies would be reduced for public and private sectors;
- more inventions would be disclosed;
- more private investments in research and development would occur;
- increased commercialization would occur and provide more benefits and less cost to our economy;
- the Government will receive reimbursements and recover some of its research investments from the private sector under section 204 of the bill;
- Senate bill 414 will encourage free competition and enterprise and not stifle competition in the private sector whenever competition could bring the fruits of research to the public faster and more economically, and

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--Senate bill 414 would stimulate industrial innovation and lead to health and energy benefits, an improved technology base, and economic growth.

Additional Paperwork Burdens

We believe that with one possible exception, Senate bill 414 should create no additional reporting or record-keeping requirements which are excessive or unduly burdensome. Overall, we believe the bill could result in reduced paperwork burdens and associated administrative burdens for the Government and small businesses and non-profit organizations.

As discussed in my testimony on Senate bill 414, under current policies and procedures, substantial administrative and paperwork burdens can result from the process of petitioning, negotiating, and determining rights in inventions developed under federally supported research efforts. By granting small businesses and nonprofit organizations the option to take title to such inventions, these burdens should be reduced.

One section of the bill--section 204, Return of Government Investment---does have the potential for creating recordkeeping problems for some small businesses and nonprofit organizations. This section requires small businesses and nonprofit organizations, which receive \$250,000 in after tax profits from licensing or in excess of \$2,000,000 from sales, to return a negotiated share of such amounts to the United States, up to the amount of the Federal funding. This provision is tied to two separate 10-year periods: one commencing with disclosure of the invention; and the other commencing with commercial exploitation of the invention.

Maintaining the accounting records necessary for compliance with these requirements could tax the capabilities of some small businesses and nonprofit organizations. Also, they would be required to maintain records for a long period of time, even though the thresholds might not be met. Although these requirements seem likely to affect only a small number of businesses and nonprofit organizations, the Committee may wish to consider simplifying the provisions for return of Government investment.

Impact on Personal Privacy

We believe that Senate bill 414 will create no adverse impact on personal privacy. Further, confidential business information appears to be adequately protected by providing for non-disclosure under the Freedom of Information Act.

We would like to reiterate our reservations about section 202(b) of the proposed legislation. As I stated in my May 16, 1979, testimony on the proposed legislation, we would prefer not to monitor patent policy implementation as currently provided in the bill. We would prefer to consider this aspect of an agency's operations as part of our overall reviews of procurement, contracting, and research and development programs. Our evaluation of the agencies' implementation of the legislation would be included in our normal oversight reviews.

We trust these comments will assist the Committee in its deliberations on the bill.

Sincerely yours,

SIGNED WALTER E. STANLEY

Comptroller General
of the United States