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LICENSING EXECUTIVES SOCIETY, INC.

OCTOBER 8, 1984

GOOD AFTERNOON.

IT'S A GREAT PLEASURE TO BE WITH YOU TODAY. LET ME EXTEND SPECIAL CONGRATULATIONS ON YOUR 20TH ANNUAL MEETING.

THE THEME OF THIS MEETING IS ESPECIALLY APPROPRIATE . . . "FORCES SHAPING TECHNOLOGY TRANSFER TODAY." I THINK WE ALL WOULD AGREE THAT AMERICA'S FUTURE DEPENDS ON OUR ABILITY TO UNDERSTAND AND DIRECT THOSE FORCES. SO I WOULD LIKE TO SPEND A FEW MINUTES TODAY SHARING WITH YOU HOW THE ADMINISTRATION VIEWS THOSE FORCES AND WHAT WE'RE DOING ABOUT IT.

THE UNDERLYING FORCE SHAPING TECHNOLOGY TRANSFER IS, AS WE KNOW, THE EXPANSION OF KNOWLEDGE.

THE UNITED STATES, WITH ONLY ABOUT 5 PERCENT OF THE WORLD'S POPULATION, GENERATES ABOUT HALF OF THE WORLD'S SCIENTIFIC INFORMATION. THIS IS DOWN FROM ABOUT 75 PERCENT A DECADE AGO, AND IN ANOTHER DECADE MAY BE DOWN TO ONLY A THIRD OF THE TOTAL. IT'S IMPORTANT TO NOTE THAT AMERICA WILL NOT BE GENERATING LESS, BUT THE OTHER 95 PERCENT OF THE WORLD WILL BE GENERATING MORE.

THIS MEANS THAT COMPETITION IN WORLD MARKETS IS GOING TO BE A LOT TOUGHER FOR U.S. COMPANIES. MOREOVER, THE CONSTANT CHANGES THAT RESULT FROM NEW TECHNOLOGY WILL BE AFFECTED BY OTHER FACTORS. DEVELOPING NATIONS WILL BE CAPTURING MARKET SHARE IN MANY INDUSTRIES AS THEY CAPITALIZE ON THEIR CHEAP LABOR AND ABUNDANT NATURAL RESOURCES. AT THE SAME TIME, SOME INDUSTRALIZED NATIONS ARE USING TARGETING STRATEGIES TO CAPTURE WORLD MARKET SHARE.

THESE STRATEGIES INVOLVE GOVERNMENT-INDUSTRY EFFORTS THAT POOL RESOURCES, SUBSIDIZE RESEARCH AND DEVELOPMENT, PROVIDE LOW-COST CAPITAL FOR MANUFACTURING INVESTMENTS, AND SELL THE RESULTING PRODUCTS BELOW WORLD MARKET PRICES.

AMERICAN FIRMS HAVE BEEN HANDICAPPED BY ANTITRUST LAWS THAT HAVE PREVENTED THE JOINT RESEARCH REQUIRED FOR AN EQUIVALENT SCALE OF EFFORT. RECENTLY, THESE ANTITRUST LAWS HAVE BEEN MODIFIED TO ALLOW COOPERATIVE RESEARCH DEVELOPMENT. THIS IS GOOD, BUT IT'S ONLY THE FIRST STEP. THERE ARE OTHER REGULATORY BARRIERS TO INNOVATION THAT MUST BE CHANGED. REMOVAL OF SUCH BARRIES TO TECHNOLOGY DEVELOPMENT IS A KEY OBJECTIVE OF THE REAGAN ADMINISTRATION.

THE OTHER SIDE OF THIS COIN, HOWEVER, IS TO PROVIDE INCENTIVES FOR INNOVATION, AND FOR THE TRANSFER OF TECHNOLOGY FROM GOVERNMENT LABORATORIES AND UNIVERSITIES TO THE PRIVATE SECTOR.

THIS YEAR, THE U.S. GOVERNMENT IS SPENDING SOME $45 BILLION FOR RESEARCH AND DEVELOPMENT. ABOUT $17 BILLION OF THIS WILL BE SPENT IN GOVERNMENT LABORATORIES, AND AROUND $8 BILLION FOR BASIC RESEARCH. THE ADMINISTRATION WANTS TO INCREASE THE FUNDING FOR BASIC RESEARCH SINCE THE PRIVATE SECTOR OFTEN CANNOT JUSTIFY LONG-TERM, HIGH-RISK INVESTMENTS. AND IT IS CLEARLY IN THE NATIONAL INTEREST THAT THE POOL OF BASIC KNOWLEDGE BE CONSTANTLY REPLENISHED.

THE ADMINISTRATION ALSO FEELS, HOWEVER, THAT THE TRANSLATION OF NEW DISCOVERIES INTO PRODUCTS, PROCESSES AND SERVICES, SHOULD BE DONE BY THE PRIVATE SECTOR. THEREFORE, ADMINISTRATION POLICY HAS BEEN TO PROVIDE ACROSS-THE-BOARD INCENTIVES FOR THE TRANSLATION PROCESS, ALLOWING FREE REIN TO THE ENTREPRENEURIAL ENERGIES THAT EXIST SO PLENTIFULLY IN THE U.S.

IN PROVIDING THE INCENTIVES THAT ARE NEEDED, AND IN CREATING THIS TRANSLATION PROCESS, YOUR HELP IS URGENTLY NEEDED. LET ME BE CANDID. IN BOTH MY PRESENT CAPACITY AND AS A FORMER CONGRESSMAN, I MUST TELL YOU THAT OBTAINING THE LEGISLATION TO DO WHAT WE'RE TALKING ABOUT IS NOT EASY. VERY IMPORTANT, BUT NOT EASY.

"INTELLECTUAL PROPERTY" HAS A SOMEWHAT SNOBBISH OR ELITIST SOUND TO IT. THE PUBLIC AT LARGE WILL PROBABLY NEVER SHARE YOUR UNDERSTANDING OF HOW IMPORANT IT IS TO OUR DAILY LIVES. IT JUST IS NOT THE SORT OF THING THAT LEGISLATORS CAN POINT TO WITH PRIDE AND EXPECT TO BRING IN MANY VOTES. WE IN THE EXECUTIVE BRANCH FACE A SIMILAR PROBLEM.

SO LET ME SUGGEST THAT IF THE NEEDED LEGISLATION IS EVER TO BE PASSED, THOSE OF YOU WHO HAVE A DIRECT INTEREST WILL HAVE TO PLAY A PART. YOU WILL HAVE TO COME FORWARD AND EXPLAIN, IN RELATIVELY SIMPLE BUT PERSUASIVE LANGUAGE, TO ALL THE INTERESTED PARTIES WHAT YOU NEED.

LET ME GIVE YOU AN EXAMPLE OF WHAT IS ON MY MIND. IN THIS PAST CONGRESS, WE TRIED TO EXTEND THE PRESENT GOVERNMENT FUNDED INVENTION OWNERSHIP RIGHTS OF SMALL BUSINESS AND NONPROFIT ORGANIZATIONS TO ALL R&D CONTRACTORS. THE BILL ALSO INCLUDED A NUMBER OF PROVISIONS FOR SMALL BUSINESSES AND NONPROFIT ORGANIZATIONS. THE DEPARTMENT OF COMMERCE HAD A STAKE IN IT. WE SUPPORTED IT.

UNFORTUNATELY, A SENATOR FROM MY OWN STATE OF OHIO WAS NOT ABLE TO SEE THE ESSENTIAL WISDOM BEHIND THE PROVISION TO INCLUDE LARGE BUSINESSES. TO MAKE A LONG STORY SHORT, HE INSISTED THAT THESE PROVISIONS BE REMOVED. AND SO THEY WERE IN ORDER TO MOVE THE BILL OUT OF COMMITTEE. ON THE HOUSE SIDE, THERE WAS RESISTENCE TO THESE SAME PROVISIONS AND THE BILL NEVER DID CLEAR THE FULL COMMITTEE.

THIS SAYS THERE IS A STORY THAT HAS TO BE TOLD SIMPLY AND EMPHATICALLY. IF A COMPANY IS GOING TO INVEST AND RUN RISKS TO DEVELOP NEW PRODUCTS BASED ON THE RESULTS OF FEDERAL RESEARCH, THE COMPANY MUST HAVE THE PROTECTIONS AND INCENTIVES ENVISIONED BY THE FRAMERS OF THE CONSTITUTION. THE STORY ALSO HAS TO BE TOLD THAT AT PRESENT, THE FEDERAL GOVERNMENT FUNDS ABOUT HALF THE RESEARCH AND DEVELOPMENT AND ABOUT SEVENTY PERCENT OF ALL THE BASIC RESEARCH DONE IN THE COUNTRY. IN AN ERA WHEN THE WORLD ECONOMY IS CHANGING SO FAST, AND NEW TECHNOLOGIES ARE A PRIME CAUSE OF THE CHANGE, THE UNITED STATES MUST MAKE COMMERCIAL USE OF ITS GOVERNMENT-FUNDED TECHNOLOGY AS NEVER BEFORE.

LADIES AND GENTLEMEN, THIS TALE HAS NOT YET BEEN TOLD WELL ENOUGH. THE COMMERCE DEPARTMENT HAS TRIED AND WILL CONTINUE TO TRY, BUT WE CAN'T CARRY ALL THE FREIGHT.

IN LIGHT OF MY DEPARTMENT'S CONTINUING EFFORTS, OF THE HISTORIC DEPARTMENT OF DEFENSE CONTRACTOR OWNERSHIP POLICIES OF AND THE PRESIDENT'S MEMORANDUM, SOME OF YOU MAY ASK WHETHER YOUR COMPANIES REALLY NEED TO SPEND CHIPS IN THIS AREA.

THE BEST ANSWER I CAN GIVE YOU IS THAT THE INNOVATION PROCESS TAKES A LONG TIME. AGREEMENTS MADE ONE YEAR CAN BE VITAL TO THE PROFITABILITY OF A VENTURE MANY YEARS LATER. AS LONG AS THE GOVERNMENT CONTINUES TO ALLOCATE INVENTION RIGHTS THROUGH A MIX OF LAWS, AN EXECUTIVE ORDER, A PRESIDENTIAL MEMORANDUM, GOVERNMENT-WIDE PROCUREMENT REGULATIONS THAT SOME AGENCIES CAN IGNORE, OMB GRANT REGULATIONS, GSA LICENSING REGULATIONS AND INDIVIDUAL AGENCY PRACTICES, THERE CANNOT BE THE CONSISTENCY NEEDED TO DO BUSINESS IN A BUSINESS-LIKE MANNER.

I GUESS THIS IS AN ILLUSTRATION OF WHY THE COMMON PHRASE IS A "BUSINESS-LIKE MANNER," NOT A "GOVERNMENT-LIKE MANNER." BECAUSE WITH THE PRESENT GOVERNMENT-LIKE MIX, YOU HAVE LITTLE BASIS FOR PREDICTING HOW FUTURE BUSINESS WILL BE CONDUCTED. THERE IS NOT EVEN ASSURANCE THAT AGREEMENTS WILL STAND AS PEOPLE COME AND GO. SO IF PREDICTABILITY IS OF VALUE TO YOU, THEN THAT IS WHY YOU SHOULD SPEND THE CHIPS.

MY STORY IS NOT ALL GLOOM. LATE WEDNESDAY NIGHT THE SENATE PASSED A PROVISION WHICH WILL SUBSTANTIALLY ENHANCE THE TECHNOLOGY OF FEDERALLY-SUPPORTED R&D FROM UNIVERSITIES TO THE PRIVATE SECTOR. THE AMENDMENT ALLOWS UNIVERSITY-OPERATED GOVERNMENT LABORATORIES TO LICENSE THEIR TECHNOLOGIES DIRECTLY TO INDUSTRY WITHOUT INTERFERENCE FROM THE GOVERNMENT. THIS PROVISION ALONG WITH SEVERAL OTHERS ENHANCING UNIVERSITY-GOVERNMENT-INDUSTRY COLLABORATION WERE TAKEN DIRECTLY FROM LEGISLATION STRONGLY SUPPORTED BY THE REAGAN ADMINISTRATION. THE HOUSE WILL CONSIDER THE PROVISION ON ITS RETURN TOMORROW.

WE ALSO HAVE ASSURANCES THAT CONGRESS WILL INCLUDE THE MANAGEMENT OF INVENTIONS PRODUCED BY THE FEDERALLY-OPERATED LABORATORIES IN NEXT YEAR'S LEGISLATIVE CALENDAR. I TESTIFIED ON THIS BEFORE THE JOINT ECONOMIC COMMITTEE A FEW MONTHS AGO, AND HAVE A PERSONAL INTEREST IN THIS ISSUE. WE ARE STRIVING TO OBTAIN THE SAME SORTS OF AUTHORITIES, INCENTIVES, AND MANAGEMENT CAPABILITIES FOR THE FEDERAL LABORATORIES THAT THE UNIVERSITIES HAVE DEVELOPED. WHEN THESE ARE IN PLACE, THE DOORS TO BUSINESS/UNIVERSITY/FEDERAL LABORATORY COLLABORATION WILL BE OPEN AS THEY NEVER HAVE BEEN BEFORE.

THIS WILL BE AN IMPORTANT ADVANCE. MANY OF THE LABS TEND TO BE EQUIPMENT RICH AND PERSONNEL POOR, WHILE UNIVERSITIES TEND TO BE THE OPPOSITE. NEITHER MAKES PRODUCTS, SO THE RESULTS OF THEIR COMBINED EFFORTS WILL HAVE TO BE USED BY INDUSTRY BEFORE THE PUBLIC CAN BENEFIT.

We particularly want to make the unique federal facilities available for developmental propietary work on commercial products. To that end, the Department of Commerce has recently instituted policies that allow proprietary research to be done on NBS special facilities. This research will be subject to full cost recovery and constraints of available time, but it will give industry access to the tools they need to maintain their international competitiveness. We've established cooperative relationships between the National Bureau of Standards, the University of Maryland, and a group of companies for new biotechnology developments. Similar collaborative work in computerized flexible manufacturing, and fundamental measurement technologies also will be pursued.

The Department of Commerce will continue to work for the type of uniform government patent policy that the country needs. But if you remember anything of what I have said, please remember that Commerce can't do it alone.

YOU, YOUR COMPANIES, AND THE STATE AND LOCAL GOVERNMENTS WHERE YOU COMPANIES DO BUSINESS ARE THE CONSTITUENTS. YOU HAVE TO CARRY THE MESSAGE TOO.

SO THIS IS WHERE MATTERS STAND FROM THE ADMINISTRATION PERSPECTIVE.

LET ME CLOSE BY SAYING THAT IF, AS GEORGE GALLOP AND LOU HARRIS ARE SUGGESTING MIGHT HAPPEN, THE REAGAN ADMINISTRATION IS RETURNED TO OFFICE, MAKING GOVERNMENT FUNDED RESEARCH AND KNOWLEDGE AVAILABLE FOR COMMERCIAL USE WILL BE AT THE TOP OF THE NATIONAL AGENDA.

THANK YOU.