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Franklin D. Raines
Associate Director for
Economics & Government
Executive Office of the President
Office of Management and Budget
Washington, D.C. 20503

Subject: Patent and Trademark Office Budget

Dear Mr. Raines:

The Licensing Executive Society, U.S.A. wishes to express its concern that the Patent and Trademark Office budget be adequate so that the PTO will be able to perform its critical role in aiding the innovation process. The expense to the taxpayer to maintain a strong intellectual property system will be repaid many times over from taxes on the additional income generated; the greater certainty of more prompt processing and higher quality of patent applications will provide greater confidence by industry to invest in the risk-laden process of innovation of new technology.

LES-USA is a professional society of individuals (rather than an association of corporations) who have significant responsibility for the licensing (contractual transfer) of industrial and intellectual property rights. A business-oriented society, members (approximately 1600 in the U.S.) come from a cross-section of industries - large and small, research institutes, academic and other organizations which are sources and/or recipients of science and technology with commercial utility. There are sister societies in other countries, including developing countries, with which societies close associations are maintained as licensing is often across national borders. As practicing professionals in domestic and international technology transfer, our membership can attest to the value of a <u>strong</u> intellectual property system in aiding innovation and technology transfer. A recent

LES study of technology transfer (or license) agreements showed that while patents were considered significantly lower in importance to a successful technology transfer in comparison to knowhow and showhow in the form of drawings, specifications, training, etc., patents were, however, critical as "linchpins" to the contractual agreement and its enforceability.

We are not in a position to comment upon detailed elements of the PTO budget. We are, however, acutely aware that the quality of the granted patents has eroded and the time of pendency of applications has been much too long. With the ever increasing rate of technological change (which is reflected in the number of applications to the PTO - if there is confidence in the system) the quality and pendency times will only further deteriorate without adequate budget, leading to reduced investment in innovation of high technology, an area of trade where the US can be a strong international competitor. In general, the newer and "higher" the technology, the more important is a strong patent system. A competent businessman does not risk transfer and manufacture of such technology in a country where the patent system is weak.

At the risk of making this letter too long, we wish to observe that the weaker the economic position of the patentee (individual, small company) the more critical is prompt processing and highest integrity of the issued patent. A large market dominating company, on the other hand, will have little jeopardy to its domination in the presence of a weak patent system.

If it might be helpful for OMB to gain a better understanding of the significance of a strong intellectual property system to its "users", we would be pleased to meet with you or provide additional information.

Very truly yours,

Niels J. Reimers

cc: Frank Press , President's Science Advisor