

July 27, 2018

Dr. Walter G. Copan
National Institute of Standards and Technology (NIST)
Under Secretary of Commerce for Standards and Technology
100 Bureau Drive
Gaithersburg, Maryland 20899

Dear Dr. Copan:

On behalf of the Association of University Research Parks (AURP), we would like to offer the following comments on the Federal Technology Transfer Authorities and Processes Return on Investment (ROI) Initiative (*Federal Register*, May 1, 2018).

AURP represents over 700 university and community based research parks and innovation zones around the world, fostering innovation, commercialization and economic growth in a global economy through university, industry and government partnerships.

Federal laboratories are partners in many U.S. research parks and university startup firms developed from federally funded research frequently choose to locate in university research parks. AURP shares NIST's interest in developing procedures and policies to increase the economic impact of federal research. Accordingly, AURP has monitored federal research policy initiatives and established a government relations committee. These comments represent the committee's input:

AURP greatly appreciates NIST's leadership in examining ways to improve federal laws, regulations and practices to increase the economic impact of federally sponsored research. A few years ago, AURP issued *The Power of Place 2.0: The Power of Innovation*, which includes many of the suggestions we offer here.

See, <https://www.aurp.net/assets/documents/AURPPowerofPlace2.pdf>

1. **Support research park infrastructure and the development of Communities of Innovation.** The recently enacted federal Opportunity Zones designated in the Tax Cuts and Jobs Act of 2017 are important tools to help finance infrastructure at existing and planned university research parks. Additional ways the federal government can target centers of innovation in the US, such as research universities and federal laboratories, should be explored.
2. **Keep more corporate R&D in the United States by eliminating the link to university intellectual-property licensing in "private use" IRS restrictions in university facilities.** IRS regulations on research sponsored by the private sector performed in university facilities built with tax exempt bonds unnecessarily prohibits a negotiated 'arms-length' discussion on ownership of resulting intellectual property that link university technology transfer practices (IRS Revenue Procedure 97-14). Negotiations between corporations and universities on intellectual-property licensing should be a business decision, and not one linked to the tax status of the facility; otherwise, corporations will continue to ship R&D to countries whose governments, in many

cases, provide financial support for the facilities where the corporate R&D is conducted and do not intervene in the negotiations on intellectual-property licensing.

The reform would provide an exception to the private business limits on tax-exempt bonds for research arrangements relating to basic research at tax-exempt bond-financed research facilities that meet the following requirements: (1) A qualified user (a State and local government or section 501(c)(3) nonprofit entity) would be required to own the research facilities. (2) A qualified user would be permitted to enter into any bona fide, arm's-length contractual arrangement with a private business sponsor of basic research regarding the terms for sharing the economic benefits of any products resulting from the research, including arrangements in which those economic terms (such as exclusive or non-exclusive licenses of intellectual property, and licensing fees or royalty rates) are determined in advance at the time the parties enter into the contractual arrangement. Groups such as the Council on Competitiveness have been asking for reforms in this area for many years.

3. **Improve university technology transfer.** Reforming the Office of Management and Budget federal grant and contract funding model to encourage commercialization efforts by principal investigators and universities. For example, under current A-21 OMB Guidance, costs to develop a patent or other commercialization initiatives are unallowable as a direct charge to a research program, and the administrative cap on general and administrative expenses. Being able to use part of a grant to file for patents ought to be encouraged - not discouraged - in the federal grant system.
4. **Support proof-of-concept and applied research funding.** Some federal agencies have applied research programs but they are inconsistently funded. For example, new research shows that projects funded by ARPA-E are five times more likely to produce a patent and scientific publication than projects funded by other R&D programs at the Department of Energy. These programs should be expanded across the federal government research enterprise. Source: *Anna P. Goldstein and Venkatesh Narayanamurti, "Simultaneous Pursuit of Discovery and Invention in the US Department of Energy," November 2017.*
5. **Improve technology commercialization from federal laboratories by creating a Congressionally chartered technology intermediary organization.** This could be based on the models used by research universities or states to form quasi-independent entities to take on the business aspects or technology commercialization working with the private sector. This would eliminate many of the structural and legal impediments inhibiting efficient tech transfer from federal laboratories.
6. **Connect federal researchers with private companies through expanded use of Entrepreneurs in Residence and other programs.**
7. **Create more private sector involvement near federal lab and regional research clusters.** AURP recommends the expansion of Enhanced Use Lease (EUL) authority, which allows leasing of federal land and equipment, to all federal agencies, not just the Department of Defense agencies (see 10 USC 2667). We recommend as well that an Executive Order be issued to encourage federal leasing of research assets near existing innovation assets, such as universities, research parks, and technology incubators to create innovation cluster.
8. **Expand the corporate R&D tax credit.**

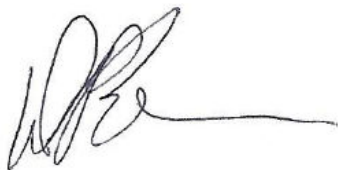
9. **Reform export controls** Reforming export controls and removing troublesome clauses from research projects not affecting the fundamental security of our country will encourage more partnerships between academia and industry. Uncertainty and the too strict application of the current export-control system have proved barriers in developing research relationships with industry and universities.
10. **Encourage entrepreneurship as a national goal and include entrepreneurship in STEM initiatives.** Job creation in the United States will largely depend on start-up companies and individual entrepreneurs. The U.S. needs to embed the concept of entrepreneurship in all of our STEM (Science, Technology, Engineering, and Math) activities and policies, including under-represented minorities and women. The new paradigm should be ESTEEM (Encouraging Science, Technology, Engineering, Entrepreneurship, and Math).

Dr. Copan, as you may know AURP is hosting its 2018 International Conference at the Hotel at the University of Maryland College Park and we are hoping you will be able to participate as a speaker at the 5:30PM on October 25, 2018 at the event to provide the audience an update on the ROI initiative.

Sincerely yours,



Brian Darmody
Vice-chair, AURP Government Relations Committee



David Baker,
Vice-chair, AURP Government Relations Committee



UNIVERSITY OF ILLINOIS RESEARCH PARK | DISCOVERY DISTRICT OF UMD | SANDIA SCIENCE & TECHNOLOGY PARK | STANFORD RESEARCH PARK

APPENDIX A

AURP SUSTAINING RESEARCH PARK MEMBERS



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Arrowhead Park at New Mexico State University

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Centennial Campus, North Carolina State University

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Phone: (919) 515-8810

Website: www.centennial.ncsu.edu/



Clemson University International Center for Automotive Research

Greenville, South Carolina

Phone: (864) 283-7100

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Coldstream Research Campus - University of Kentucky

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Phone: (859) 231-8324

Website: www.uky.edu/coldstream/



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Delaware Innovation Space

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Website: www.deinnovates.org

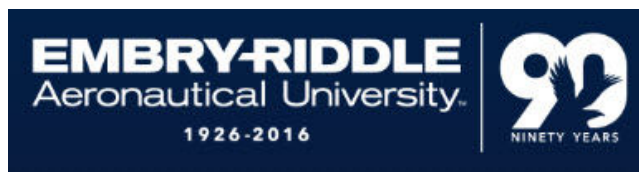


Delaware Technology Park Inc.

Newark, Delaware

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Website: www.deltechpark.org



Embry-Riddle Aeronautical University

Daytona Beach, Florida

Phone: (386) 226-7770

Website: www.erau.edu



Science +Technology Park at Johns Hopkins

Baltimore, Maryland

Phone: (410) 900-100

Website: www.forestcity.net



Genopole

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Innovation Park, UWM Real Estate Foundation, Inc.

Milwaukee, Wisconsin
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King Abdullah University of Science and Technology Research & Technology Park

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Phone: (966) 2690-8855
Website: www.kaust.edu.sa



Knowledge Park, Inc. & Ignite Fredericton

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Lehigh University

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LSU Innovation Park

Baton Rouge, Louisiana
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Website: www.lbtc.lsu.edu



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Nanjing, Jiangsu Province, China
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Website: <http://www.njhrcyy.com>

Nebraska Innovation Campus
Lincoln, Nebraska
Phone: (402) 472-5535
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**PIIT / Instituto de Innovacion y Transferencia de
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**Puerto Rico Science, Technology and Research
Trust**
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Purdue Research Park
West Lafayette, Indiana
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**Research Park at the University of Illinois Urbana-
Champaign**
Champaign, Illinois
Phone: (217) 333-8324
Website: www.researchpark.illinois.edu/

Research Triangle Foundation of North Carolina
Research Triangle Park, North Carolina
Phone: (919) 549-8181
Website: www.rtp.org



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Website: www.sstp.org

Texas State University - STAR Park

San Marcos, Texas

Phone: (512) 245-7827

Website: www.txstate.edu/starpark

Texas Tech University

Innovation Hub at Research Park

Lubbock, Texas

Phone: (806) 834-7283

Website: www.depts.ttu.edu/vpr/research-park/

**University of Delaware STAR Campus (Science,
Technology & Advanced Research Campus)**

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Phone: (302) 831-6629

Website: www.udel.edu/star

The University City Science Center

Philadelphia, Pennsylvania

Phone: (215) 966-6000

Website: www.sciencecenter.org

The University Financing Foundation Inc. (TUFF)

Atlanta, Georgia

Phone: (404) 214-9210

Website: www.tuff.org

Tech Parks Arizona

Tucson, Arizona

Phone: (520) 626-4843

Website: www.techparks.arizona.edu

University of Houston Energy Research Park

Houston, Texas

Phone: (713) 743-3326

Website: www.uh.edu/erp

University of Maryland BioPark

Baltimore, Maryland

Phone: (410) 706-8282

Web site: www.umbiopark.com



The University of Maryland Discovery District

College Park, Maryland

Phone: (301) 405-1990

Web

site: <https://greatercollegepark.umd.edu/discovery-district.html>

University of Missouri System-Missouri Research Park

Columbia, Missouri

Phone: (573) 882-6756

Web site: www.um-mrp.org

University of North Texas - Discovery Park

Denton, Texas

Phone: (940) 565-4459

Web site: www.discoverypark.unt.edu

University of South Florida Research Foundation

Tampa, Florida

Phone: (813) 974-5095

Web site: www.research.usf.edu

University Research Campus - University of Oklahoma

Norman, Oklahoma

Phone: (405) 325-4625

Web site: www.urc.ou.edu

University Research Park, University of Wisconsin-Madison

Madison, Wisconsin

Phone: (608) 441-8000

Web site: www.universityresearchpark.org

University Technology Park at IIT

Chicago, Illinois

Phone: (312) 567-3900

Web site: www.universitytechnologypark.com

Virginia Tech Corporate Research Center

Blacksburg, Virginia

Phone: (540) 961-3600

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Creating Communities of Innovation



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Gateway Development Services, Inc., Atlanta, Georgia
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KlingStubbins, Philadelphia, Pennsylvania
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Nucleus: Kentucky's Life Sciences and Innovation Center, Louisville, Kentucky
Piedmont Triad Research Park, Winston-Salem, North Carolina
Purdue Research Park, West Lafayette, Indiana
Research Triangle Foundation of North Carolina, Research Triangle Park, North Carolina
Sandia Science and Technology Park, Albuquerque, New Mexico
Sasaki Associates, Inc., Watertown, Massachusetts
The Science Center, Philadelphia, Pennsylvania
The University Financing Foundation, Inc., Atlanta, Georgia
University of Arizona Science and Tech Park, Tucson, Arizona
The University of Maryland M Square Research Park, College Park, Maryland
University of Maryland BioPark, Baltimore, Maryland
The University of Mississippi Research Park, University, Mississippi
University of Missouri System-Missouri Research Park, Columbia, Missouri
University of Nebraska Technology Park, LLC, Lincoln, Nebraska
University of New Orleans Research and Technology Park, New Orleans, Louisiana
University of North Texas Discovery Park, Denton, Texas
University of Wisconsin-Madison, Madison, Wisconsin
Wexford Science + Technology LLC, Hanover, Maryland
The Whiting-Turner Contracting Company, New Haven, Connecticut

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Arizona State University Research Park, Incorporated, Tempe, Arizona
BayBio, South San Francisco, California
Bio-Research & Development Growth Park at the Danforth Plant Science Center, Saint Louis, Missouri
Center for Emerging Technologies, Saint Louis, Missouri
The Chesapeake Crescent Initiative: Virginia, Maryland and the District of Columbia
Delaware Technology Park, Incorporated, Newark, Delaware
Maryland Technology Development Corporation, Columbia, Maryland
The Mississippi e-Center at Jackson State University, Jackson, Mississippi
North Dakota State University Research & Technology Park, Fargo, North Dakota
Ohio Agricultural Research & Development Center, The Ohio State University, Wooster, Ohio
Piedmont Triad Research Park, Winston Salem, North Carolina
Purdue Research Park, West Lafayette, Indiana
The Research Park at the University of Illinois at Urbana - Champaign, Champaign Illinois
Research Parks Maryland, State of Maryland
The Research Triangle Park, Research Triangle Park, North Carolina
Sandia Science & Technology Park/Science and Technology Park Development Corporation, Albuquerque, New Mexico
Texas Research & Technology Foundation, San Antonio, Texas
University City Science Center, Philadelphia, Pennsylvania
The University of Arizona Science & Technology Park, Tucson, Arizona
The University Financing Foundation, Atlanta, Georgia
University of New Orleans Research & Technology Park, New Orleans, Louisiana
University Research Park, University of Wisconsin-Madison, Madison, Wisconsin
UT-Baptist Research Park, Memphis Bioworks Foundation, Memphis, Tennessee
West Virginia University, Morgantown, West Virginia

THE POWER OF PLACE 2.0: THE POWER OF INNOVATION

10 STEPS FOR CREATING JOBS, IMPROVING TECHNOLOGY COMMERCIALIZATION, AND BUILDING COMMUNITIES OF INNOVATION

*Brian Darmody, President
Association of University Research Parks
Associate Vice President for Research and
Economic Development, University of Maryland*

The United States is home to the world's first research park, launched in 1951 at Stanford University. In the sixty years since, another 170 university-related research parks have sprung up across the country, promoting innovation, incubating technology, and stimulating economic growth. Today, however, the United States has lost its lead. China, India, and Korea are home to the world's largest research parks, developed by their national governments, attracting global research and development companies from afar to their shores.

In 1981, Congress passed the Bayh-Dole Act, giving universities the lead role in transferring technology into the private sector from federally supported research. Such research contributes anywhere from \$47 billion to \$187 billion annually to our nation's gross domestic product (GDP). Other countries have copied the U.S. university commercialization model, with the result, for example, that universities in the United Kingdom now have a better record than U.S. universities in technology commercialization.

Financial entrepreneurs in the United States created the venture capital investment system, launching new technology companies such as Google, Genentech, and Microsoft. Dan Senor and Saul Singer's best-selling study *Start-Up Nation* tells the story of the country with the world's highest density of new technology companies. That country isn't the United States—it's Israel.

The United States was one of the first countries to offer a corporate research and development tax credit, and its government led the world in its generosity to funding knowledge and innovation. Now the U.S. tax credit ranks seventeenth among leading developed countries.

In nearly every critical area of technology-led economic development, the United States was the originator or the leader. Now we lag far behind the competition. On this matter, Department of Commerce Secretary Gary Locke commented to the President's Council on Science and Technology (PCAST). "America has a broken innovation ecosystem that does not efficiently create the right incentives or allocate enough resources to generate new ideas, develop those ideas with focused research, and turn them into businesses that can create good jobs. . . . America simply does not have an efficient system to take new ideas from government, academic, and private-sector research labs and translate them into commercially viable products and businesses."

Adds Krisztina Holly, executive director of the University of Southern California's Stevens Institute for Innovation, "Currently, the federal government is investing nearly \$50 billion a year on university research—yet barely a dime on university programs to help translate the most promising ideas into new businesses and employment opportunities. That's like turning up the water pressure but never opening up the faucet."

America has a broken innovation ecosystem that does not efficiently create the right incentives or allocate enough resources to generate new ideas, develop those ideas with focused research, and turn them into businesses that can create good jobs. . . . America simply does not have an efficient system to take new ideas from government, academic, and private-sector research labs and translate them into commercially viable products and businesses.

— Gary Locke, Secretary,
Department of Commerce





Clearly the United States is still the world's largest economy. The United States has the largest number of innovators and entrepreneurs, and the world's best higher-education and research system. With the "rise of the rest," as it has been called, the United States needs to meet the global technology competition and recapture its former vigor in taking the lead in innovation. Yet, with looming federal deficits, our government does not have unlimited resources to spend.

The federal government, through interagency programs and policies, needs to increase the alignment among our research universities, university research parks, technology incubators, sponsored program offices, corporate relations offices, and technology-transfer officials to meet better our nation's global technology competition.

HOW DO WE MAKE PROGRESS IN THIS CHALLENGING ENVIRONMENT?

In the *Power of Place*, the Association of University Research Parks demonstrates how geography and connected communities play a large role in innovation. In it, we called on Congress to view research universities, research parks, technology incubators, and federal lab campuses as innovation zones.

In the *Power of Innovation*, we offer ten steps—from policy changes to selected investments—that the federal government can take quickly to leverage existing federal assets and, without developing new bureaucracies, to create jobs, technology companies, and Communities of Innovation.

These steps, in brief, are:

1. Support research park infrastructure and the development of Communities of Innovation

The U.S. Senate (S. 583) and House of Representatives (H.R. 4413) are considering legislation that would provide planning grants and loan guarantees to build research parks and technology incubators, aligned with the President's regional cluster strategy. National Institute of Science and Technology (NIST) senior economist Dr. Greg Tassej has identified research parks as a key element in the U.S. manufacturing strategy. The primary sponsor of S. 583, Senator Mark Pryor (D-Ark.), remarks, "Science parks provide a launch pad for economic activity in a community. They have a strong record of fostering talent, high tech innovation and job growth. Providing seed funding to create or expand these parks is a necessary investment for our economy as well as our global competitiveness."

2. Improve university technology transfer by reforming the Office of Management and Budget federal grant and contract funding model to encourage commercialization efforts by principal investigators and support "cash for commercialization"

Federal grant and contract policies provide no funding or administrative flexibility by principal investigators for technology commercialization or initial proof of concept funding to bridge the first "valley of death" in making technologies attractive for follow-on investment. We urge the reform of OMB A-21 restrictions on the use of federal contract and grant funds by

- giving principal investigators more authority to direct charge initial commercialization efforts on research-and-development contracts and grants;
- increasing by 1 percent overhead negotiated rates with federal agencies for cost reimbursement for patent expenses and for seeding commercialization funds at universities for technologies they elect to take title to under the Bayh-Dole Act; and

Currently, the federal government is investing nearly \$50 billion a year on university research—yet barely a dime on university programs to help translate the most promising ideas into new businesses and employment opportunities. That's like turning up the water pressure but never opening up the faucet.

— Krisztina Holly, Executive Director,
Stevens Institute for Innovation,
University of Southern California

- removing costs of university technology-transfer offices from the overall 26 percent federal administrative cap.

3. Support proof-of-concept funding

The National Science Foundation FY 2011 budget, based on concepts developed by Krisztina Holly, has a pilot program to develop proof-of-concept funding to support follow-on efforts to commercialize university-owned technology. We urge that this program be fully supported.

4. Improve technology commercialization from federal laboratories by creating a congressionally chartered technology intermediary organization

To improve the rate of technology commercialization coming out of \$25 billion in internal research and development spent at federal laboratories, we recommend the creation of a congressionally chartered commercialization intermediary organization, based on best practices of technology commercialization intermediary models found at research universities, state agencies, and individual federal laboratories. This can be done through expanding the funding, authority, venture staffing, and venture acceleration capacity of the Federal Lab Consortium established in 15 USC sec. 3710. According to Wendy Schacht of the Congressional Research Service, the FLC is currently funded by set-aside of only 0.008 percent of each agency's R&D budget used for labs. Its mission, funding, and staffing could be expanded to increase the administrative flexibility and tools available to federal laboratory technology-transfer offices to align their decisions more closely with those of the private sector. The taxpayers are already investing heavily in federal research in federal laboratories. We need to make sure that those laboratories have the financial, legal, administrative and staffing tools such as embedded professionals from the venture community, to transfer technology to the private sector and create jobs.

5. Connect federal researchers with private companies

The Obama Administration has called on federal researchers to be more involved with private sector companies (see, for example, the August 4, 2009, OMB/OSTP directive to heads of Executive Agencies). No comprehensive agency-wide program

exists, however, to allow federal research assignments with private-sector companies in a transparent way. We recommend that a Presidential Executive Order on federal lab technology commercialization and private sector partnerships (see, for example, EO 12591) be issued, based on the NASA Innovation Ambassadors Program to allow federal research talent to support private companies.¹ We further recommend that the Department of Energy's Entrepreneur in Residence Program be expanded to all federal agencies.

6. Create more private sector involvement near federal lab and regional research clusters

We recommend the expansion of Enhanced Use Lease (EUL) authority, which allows leasing of federal land and equipment, to all federal agencies, not just Department of Defense agencies (see 10 USC 2667). We recommend as well that an Executive Order be issued to encourage federal leasing of research assets near existing innovation assets, such as universities, research parks, and technology incubators to create innovation clusters.

7. Expand the corporate R&D tax credit

Information Technology and Innovation Foundation (ITIF) President Robert D. Atkinson has demonstrated that expanding the Alternative Simplified Tax Credit (ASC) for research and development from 14 to 20 percent would not only spur job creation at a time when this is desperately needed but would also boost the country's long-term innovation capacity. In particular, his report models how expanding the ASC from 14 to 20 percent would create a number of critical economic benefits, including:

- 162,000 jobs in the near term
- A \$90 billion increase in GDP as the nation struggles through economic recovery
- 3,850 new American patents as nations compete for dominance in tomorrow's technologies
- \$17 billion in new tax revenues as Congress and Administration face daunting budget deficits

The federal government, through interagency programs and policies, needs to increase the alignment among our research universities, university research parks, technology incubators, sponsored program offices, corporate relations offices, and technology-transfer officials to meet better our nation's global technology competition.

— Brian Darmody,
AURP President

¹. See www.nasa.gov/office/innovation_incubator.

8. Reform export controls

In his recent State of the Union Address, President Obama called for reform in the federal government's export-control system. Reforming export controls and removing troublesome clauses from research projects not affecting the fundamental security of our country will encourage more partnerships between academia and industry. Uncertainty and the too strict application of the current export-control system have proved barriers in developing research relationships.

9. Keep corporate R&D in the United States by eliminating the link to university intellectual-property licensing in "private use" restrictions in university facilities

Congress should remove federal IRS tests related to intellectual-property licensing by universities to corporate research in facilities funded by tax-exempt bonds (IRS Revenue Procedure 97-14). Negotiations between corporations and universities on intellectual-property licensing should be a business decision, and not one linked to the tax status of the facility; otherwise, corporations will continue to ship R&D to countries whose governments, in many cases, provide financial support for the facilities where the corporate R&D is conducted and do not intervene in the negotiations on intellectual-property licensing.

10. Encourage entrepreneurship as a national goal, and include entrepreneurship in STEM initiatives

Job creation in the United States will largely depend on start-up companies and individual entrepreneurs. We need to embed the concept of entrepreneurship in all of our STEM (Science, Technology, Engineering, and Math) activities and policies. The new paradigm should be ESTEEM (Encouraging Science, Technology, Engineering, Entrepreneurship, and Math).

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