Bayh-Dole
COALITION

A University Patent Royalty Tax Would Sabotage America's Innovation Engine

Commerce Secretary Howard Lutnick has proposed a 50% tax on the royalties that universities earn from licensing patented discoveries made with federal grants.

This tax would undermine the Bayh-Dole Act and make it harder for universities to collaborate with private companies to turn federally-funded research into groundbreaking new products that grow the economy, create jobs, and generate tax revenue.

It Threatens the Bayh-Dole Technology Transfer System

Most university tech transfer offices already operate at a loss. Taking up to half of their revenue on the most successful patented discoveries would inevitably force schools to cut resources for tech transfer efforts. In a recent poll, 94% of Bayh-Dole Coalition members warned universities would struggle to maintain current licensing levels if the tax is implemented.

Congress foresaw this danger over 45 years ago. Early drafts of Bayh-Dole contained a "payback" provision similar to Lutnick's proposal, but lawmakers removed it at the behest of federal agencies, which warned that diverting royalty income would undermine the goal of turning government-funded research into new products, companies, jobs, and entire industries. As the Senate's final report stated, "Section 204 is not intended to turn Government support of R&D into a strictly business proposition." Lutnick's proposal would revive what Bayh-Dole's authors deliberately eliminated.

It Would Harm American Innovation and Economic Growth

Lutnick's plan would cost the government far more revenue than it would raise. That's because successful companies stemming from university research, such as Google, pay billions in corporate taxes, while their workers and investors pay billions in income and capital gains taxes. Last year alone, research parks — which are mostly university-driven — generated $33 billion in federal tax revenue. That far outweighs the less than $4 billion universities earned from licensing patents.

What the plan *would* do is dramatically reduce the economic growth that university research already catalyzes across America. Since 1996, the Bayh-Dole system has spawned over 19,000 startups, supported 6.5 million jobs, and added over $1 trillion to U.S. GDP.

The plan would have an especially devastating impact on state and regional economic development across America's heartland, where research universities are often primary sources of R&D that drive business formation, job creation, and technology advancements.

If universities are forced to scale back licensing, many promising discoveries will never reach the market — and American consumers, workers, and taxpayers will never reap the benefits. We'd all be worse off without university breakthroughs, such as the blood test for traumatic brain injuries developed at the University of Florida, semiconductor patterning technology developed at the University of Texas at Austin, or the smartphone-based blood monitoring technology invented at Purdue University in Indiana.

These aren't outliers. Public-private partnerships under Bayh-Dole have produced over 200 new medicines, as well as countless breakthroughs in sectors like semiconductors and energy. Dismantling Bayh-Dole would forfeit this progress and cede our tech leadership to China.