Federal agencies to get R&D to market faster

By Kent Hoover
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President Barack Obama directed federal agencies to step up efforts to commercialize more of the federal government's $147 billion annual investment in research and development.

The president asked agencies with federal laboratories to develop five-year plans — with goals and metrics — for increasing the number of industry partnerships, new products and spin-off companies based on their research. The president also directed agencies to streamline their licensing procedures for technology transfer and cut in half the time it takes to award Small Business Innovation Research grants. Rebecca Blank, acting deputy secretary of Commerce, said the actions ordered by the president "are among the most important steps taken to improve technology transfer" in 30 years.

For small businesses, however, the most important decisions related to federal research will be made on Capitol Hill, not in the White House. The SBIR program is scheduled to expire Nov. 18, and the House of Representatives and Senate are still trying to resolve their differences on legislation to reauthorize it.

Through the SBIR program, the 11 federal agencies with the biggest outside research budgets are required to spend at least 2.5 percent of this money with small businesses. Legislation pending in the Senate would gradually increase that percentage to 3.5 percent by 2023. The House's SBIR reauthorization bill would keep that percentage at 2.5 percent.

VC-owned firms seek access

The biggest difference between the two bills, however, is whether small companies majority-owned by venture capital firms should be eligible for SBIR awards. In 2003, an administrative law judge ruled that these types of companies don't qualify as small businesses since they aren't independently owned. This meant more than half the small biotechnology companies could no longer compete for SBIR awards, according to the Biotechnology Industry Organization.

BIO and the National Venture Capital Association have been trying to regain SBIR access for VC-owned firms ever since.

They have been opposed by current SBIR recipients and the National Small Business Association, which feared that firms without venture capital would be squeezed out of the SBIR program if deep-pocketed VC-owned firms were allowed in.

In the past, the House has favored opening SBIR awards to VC-owned companies, while the Senate opposed this change. Failure to resolve this issue has kept the SBIR program from being reauthorized since 2008, and the program has survived through short-term extensions since then.

This year, however, the Senate Small Business and Entrepreneurship Committee approved legislation that would allow the National Institutes of Health, the Department of Energy and the National Science Foundation to award up to 25 percent of their SBIR funds to small businesses that are majority-owned by multiple venture capital firms. Other agencies could award 15 percent of their SBIR funds to VC-owned firms.

That didn't go far enough for the House Small Business Committee, however. Its bill would allow NIH, Energy and NSF to award 45 percent of their SBIR awards to VC-owned firms. These companies could receive up to 35 percent of SBIR awards at other agencies.

"The importance of restoring eligibility to small biotechnology companies has never been more clear," said BIO spokeswoman Tracy Cooley. "The ability of the SBIR program to provide critical funding for medical research projects will remain hampered unless the SBIR program is updated to address the current realities facing small, innovative American companies."

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