Protect the Bayh-Dole Act from Harmful Tax Proposals: Talking Points

Key Message: United States Department of Commerce Secretary Howard Lutnick has proposed imposing a 50% innovation tax on revenues universities earn from licensing their discoveries to the private sector. This proposal would significantly undermine the legislative intent of the Bayh-Dole Act, a bipartisan law that ensures taxpayer-funded inventions benefit the public rather than languishing in the lab. We urge the Trump Administration and Congress to reject an innovation tax on university licensing revenue because it threatens America's ability to innovate, compete, and grow our economy.

Bayh-Dole has been a key driver of American innovation and economic growth through technology transfer.

- For 45 years, Bayh-Dole has done exactly what Congress wanted the law to do: unleashed innovation by bringing scientific breakthroughs out of university labs into the marketplace to save lives, build prosperity, and give America its competitive edge.
- Bayh-Dole enables technology transfer – the process by which universities translate research discoveries into new products, services, and technologies to benefit the public.
- University research is a major source of innovation: nearly one-third of U.S. patents rely directly on federal research.

Taxing university licensing revenues will chill innovation and capital investment.

- An innovation tax on licensing revenues **will inject friction and uncertainty** into the U.S. patent system, **discouraging venture capitalists** from investing in startups spun off from university research.
- Secretary Lutnick's proposal will effectively **choke the innovation pipeline,** leaving discoveries that save lives and make us more productive locked in labs.

A government tax on licensing revenues represents gross federal overreach and interference with the free market.

- In a recent survey, all members of the Bayh-Dole Coalition said that an innovation tax on licensing revenue will generate less federal revenue than the current system.
- Members of the coalition include **Conservatives for Property Rights**, **National Association of Manufacturers**, and advocates for intellectual property rights, entrepreneurship, and free enterprise.

Taxing licensing revenues will force universities to pull back from commercializing their research and making discoveries available to the public.

- This would mean fewer cures and breakthroughs making it out of the lab.
- Fewer opportunities to commercialize research would lead to fewer startups and companies, fewer products and services, less corporate tax revenue, and millions of fewer jobs.

A chill on innovation and investment will mean a shrinking tax base for states and localities.

- When companies pull back or close because they can no longer access the innovation pipeline, communities will pay the price in lost jobs and shrinking tax revenue for schools, infrastructure, and other essential public services.

Bayh-Dole already contains strong and sufficient government oversight provisions.

- By law, universities are required to report all inventions to the government and make "active efforts" to commercialize their inventions.
- The government can exercise "march-in" authority in a narrow set of circumstances, such as when companies fail to make or distribute products developed from federally funded research.
- The government has never exercised march-in rights since Bayh-Dole's passage.

The Trump administration should follow guidance developed during the first term on improving implementation of Bayh-Dole across the innovation pipeline.

- In 2018, the administration convened federal, industry, and university stakeholders who made specific recommendations on moving innovation from the lab to market. These included "granting reliable and predictable intellectual property rights to federal research and development."

Universities don't profit when they license patented discoveries to startups and small businesses.

- In fact, most technology transfer offices operate at a loss. And by law, universities must reinvest licensing revenues back into research, education, and covering tech transfer costs.

Under Bayh-Dole, entrepreneurs are able to license patented discoveries and turn them into products and applications for everyday use.

- Bayh-Dole fosters university-private sector collaborations on innovations that make us healthier, more productive, and more secure. More than two-thirds of the entrepreneurs who license these discoveries are small and medium sized start-ups and small businesses.

Taxpayers are the primary beneficiaries of technology transfers from universities to the private sector. Benefits include:

- **Lifesaving medicines, diagnostics, and tools**: cancer treatments and screenings, gene editing, and mRNA technology.
- **Tools that spread knowledge, solve problems, and make us more productive**: Google search, touch screens, advancements in cloud and quantum computing, electronic ink.

- **Technologies that protect public health and safety**: firefighting drones, air quality and gas emissions sensors, powerful disinfectants used in disease outbreaks.
- **Massive economic impact**: millions of jobs, thousands of new startups and businesses, tens of thousands of new products.
- **Billions in federal, state, and local taxes generated** by thousands of startups and companies that licensed university research, including sales tax from new products and payroll taxes generated by new employers and employees.

Bayh-Dole led to the creation of consumer products and services that Americans use in everyday life.

- These include Honeycrisp apples, the nicotine patch, Flu Mist, recycling processes for plastics and lithium car batteries, and high-definition video and audio.

Bayh-Dole gives America its innovation advantage by bridging cutting-edge research with private sector capabilities and investment.

- China and other nations are investing heavily to connect their universities with industry. A tax on university licensing revenue threatens America's technological leadership and our ability to compete.

Bayh-Dole has powered state and regional economies in America's heartland.

- In Georgia, North Carolina, Kansas, and Indiana, universities anchor innovation ecosystems based on high-tech, biotech, and advanced manufacturing.
- University patents have spun off dozens of high-tech and life sciences companies, which have contributed billions in state GDP, generated millions of good jobs, and developed a highly skilled and trained workforce.

Bayh-Dole is responsible for America's global leadership in the life sciences.

- The US develops more new medicines than any other nations thanks to Bayh-Dole, which enables companies to license patented discoveries from university research and turn them into novel drugs and therapies.
- Bayh-Dole facilitated the development of CRISPR gene editing and mRNA technology – platforms that have revolutionized disease prevention, treatment, and cures.
- Since 1980, more than 200 drugs and vaccines have been developed and put into the hands of American consumers.

Additional Resources

Taxing University Licensing Revenue is a Tax against U.S. Innovation and Growth (December 2025)
Proposed Tax Threatens to Lock Up University Innovations in Labs (December 2025)
Preserve the Bayh-Dole Act and University Technology Transfer (March 2024)

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