Sal Carpenter

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
ROUTE SLIP

TO Sal Ambrosio
Joe Clark
Fred Dietrich
Norm Latker (Rm. 5217)
Dennis Praeger

- Take necessary action ☐
- Approval or signature ☐
- Comment ☐
- Prepare reply ☐
- Discuss with me ☐
- For your information ☐
- See remarks below ☐

FROM Bill Maxwell (x3890) DATE 10/8/81

REMARKS

Attached is a copy of DOD's comments on Uniform Patent Policy Legislation

OMB FORM 4
REV AUG 70

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE

WASHINGTON, D.C. 20301

October 6, 1981

Honorable David A. Stockman
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Stockman:

This is in response to your request for the views of the Department of Defense on a draft Senate Bill entitled "Uniform Science and Technology Research and Development Utilization Act."

The recently enacted Public Law 96-517 provides for the disposition of contract invention rights, but it is limited to contracts with nonprofit organizations and small business firms. Legislation that addresses the entire Government contracting community, as the proposed bill does, would introduce consistency into the treatment of all contractors. We believe that this could be beneficial, provided of course that the policy it establishes is one which encourages the utilization of government sponsored technology; assures its availability to the public; and supports agencies' missions.

The draft Senate bill shares much with the Statement of Government Patent Policy (36 Fed. Reg. 16887), which currently controls our activities in this area, and therefore it contains basic features that the Department of Defense would support. For example, section 302 together with section 305 would permit contractors normally to have the option of retaining title to contract inventions, subject to at least an irrevocable, paid-up license in the Government. This is the practice followed in most Department of Defense contracts, and it is the practice most likely to bring inventions into practical use. On the other hand, section 301 of the bill does recognize that there are situations in which the public interest is best served by agencies taking title to contract inventions on behalf of the United States. These provisions of the bill would afford necessary flexibility to agencies in their contracting approach. With respect to title III, however, we recommend that the criteria for the Government title approach set forth in section 301 include a category for contracts which relates to the public health, safety, or welfare.

Certain provisions of the draft Senate bill do cause us serious concern. Principal among them is title II. This title would confer upon the Secretary of Commerce a broad range of authority with respect to matters that we believe are within the administrative prerogative of the contracting agencies. For example, it authorizes him to review the implementation and administration of the bill, and to formulate proposed rules and regulations. In addition, it authorizes him to determine with administrative finality disputes between agencies and their contractors. Finally, it authorizes him to accept custody of Government invention rights to promote utilization.

The exercise of such rule-making authority by the Secretary of Commerce would, we believe, introduce an unnecessary additional layer into the Government's policy making and property management processes. The Defense Acquisition Regulation implements statutory requirements and policies across the entire spectrum of procurement matters. We see no basis for separating the subject of contract invention rights from other acquisition law and policy, and treating it as a separate matter to be regulated by another agency.

The authority to adjudicate disputes, as outlined above, is also a matter of concern to us. Disputes arising under Department of Defense contracts are taken before the Armed Services Board of Contract Appeals or the Court of Claims as elected by a contractor. We see no rationale for distinguishing disputes arising under patent rights clauses, and subjecting them to a disputes procedure before some other agency board. Such an action could invite contractors to reject agency boards in favor of direct access to the Court of Claims.

Finally, with regard to title II, we are concerned about the provisions for transferring to the Secretary of Commerce custody of Department of Defense invention rights. The Military Departments presently have programs for the utilization of patent rights. They are administered as best serves the military mission of those Departments in consonance with the public interest. It seems doubtful that those inventions could be administered better outside of the agency that sponsored them.

Section 304(b) would make the exercise of march-in rights subject to prior approval by the Secretary of Commerce, who would make determinations after a formal hearing. This again would insert one agency into what is and should remain the orderly administration of the contracts of other agencies. Experience has shown that march-in rights are rarely exercised, and we perceive no advantage to be gained by going outside of established agency channels of contract administration to invoke a cumbersome hearing procedure in those infrequent occasions when the rights are exercised.

With regard to the licensing of federally owned inventions, the draft Senate bill would repeal 35 U.S.C. 209, enacted into law by Public Law 96-517. While section 307 of the draft bill would confer authority on agencies to conduct licensing programs, we believe that the licensing guidelines and criteria contained in 35 U.S.C. 209 are useful, and would contribute to inter-agency uniformity and we recommend that it not be repealed. Section 305(a)(2) of the draft bill would empower the Federal Government to grant sub-licenses to state and municipal governments. We believe this enables the Federal Government to provide useful assistance to states and municipalities. In view of the growing scope of cooperation with NATO and other allied governments, we suggest that the authority of this section be expanded to authorize the sublicensing of foreign governments and international organizations.

Executive Order 10096 contains guidelines concerning the disposition of invention rights as between the Government and its employees which have proved workable for about thirty years. We suggest that consideration be given to the incorporation of parallel provisions in the draft Senate bill.

With the amendments suggested above, the Department of Defense believes that legislation along the lines of the draft Senate bill would be beneficial in establishing uniformity in agencies' patent policies, while affording the necessary flexibility in adapting the contracting approach to the situation. The Department of Defense would support such legislation.

Sincerely,

William H. Taft

William H. Taft, IV