Agency Concerns on S.1657 Treatment of Reporting and Electing Subject Inventions and Filing Patent Applications Thereon

The view of some agencies (notably DoD, DoE and NASA) is that inventions conceived or first actually reduced to practice with government funding should be reported, elected and patent applications filed thereon, within a "reasonable time" after they are "made". "Made" is defined by these agencies as conception or first actual reduction to practice of an invention in performance of a Federally funded research and development contract. A "reasonable time" is defined (as a minimum) to be prior to any act which would preclude obtaining foreign patent profection. (While the March 8, 1982 Administration mark-up of S.1657 does not provide for this, it is the apparent intent of these agencies to make provision for this by regulation at a later time).

In comparison, Sec. 305 of S.1657 rejects the agency approach in favor of time periods for reporting, election and filing patent applications triggered from report of an invention conceived or first actually reduced to practice with government funding to contractor personnel responsible for patent administration rather than from "made". Further, the time of election and filing is to be completed by the contractor (at a minimum), prior to any statutory bar date for obtaining U.S. patent protection rather than foreign patent protection as suggested by the agencies.

The two points of S.1657 questioned by the agencies were developed taking into consideration not only agency comments but those of contractors who would need to function under S.1657.

It was clear from this review that the position of the agencies is unrealistic and would not serve the objectives of S.1657 or the interests of the public.

Discussion of the two points of S.1657 in controversy follows.

1. "Conception" is not an appropriate point in time to trigger reporting of inventions generated at government expense.

Federal regulation have traditionally and ostensibly required reporting within six months from the time the invention is "made". "Made," as noted, is conception or first actual reduction to practice of an invention generated at government expense. Thus "making" can be triggered by either "conception" or "first actual reduction to practice." In most instances, "conception" will occur prior to "reduction

to practice" under a contract. In some instances, "conception" may occur outside of the contract leaving "reduction to practice" to trigger contractor obligations. Notwithstanding, it is apparent that under the agency position, the definition of "conception" is the main focus in determining when the contractor's obligations are triggered.

"Conception" while not defined by the agencies in their arguments has been generally defined as the documentation necessary to establish a diligent patent applicant as the "first-to-invent" in a contest with another applicant for the same invention in the Patent Office. (See 35 U.S.C. 102(g)) A mere mental conception is obviously not contemplated by the agencies since it could not serve as a trigger for reporting due to the difficulty in identifying the point in time that it occurred.

While a documented "conception" of the type discussed would establish a time certain, albeit difficult to establish in practice, requiring the contractor to report within six months (or for that matter at any point from that time) creates an obvious dilemna for the contractor that does not meet the objectives of S.1657.

Clearly a documented "concept" coupled with reasonable diligence is important to the contractor for the purpose of establishing itself as the first-to-invent. However, to require a report to the government within a specific time after such documentation defeats the contractor's ability to properly evaluate and modify the concept in order to develop a potentially useful product or process. The most important aspect of this issue is the agencies failure to recognize the iterative and improving nature of the invention process. While of doubtful enforceability, the agency position would require the report of numerous inventive concepts to the agencies which are later determined to be of doubtful value or patentability. Carried to its ultimate conclusion contractors would be in breach of the agency amendment of S.1657, unless the contractor reported every inventive concept recorded in its laboratory note books. It is more likely under the agency suggestion that the contractor to limit needless paperwork would avoid documenting inventive concepts, or if documented, withhold reporting notwithstanding specified reporting times until its feasibility evaluations were complete and the perfected invention identified. Under present FPR and DAR regulations it would undoubtedly be found that hundreds of contractors have breached the duty of reporting

government supported inventions within six months of their "conception". Carried into S.1657 this treatment of the agency position would place a cloud over contractor title to many inventions which could create a disincentive to private investment in their future development. Thus, the agency position if implemented could defeat the main objective of the bill.

Sec. 305 clearly avoids this dilemma by requiring the report of inventions conceived or first actually reduced to practice in performance of government support after it is reported to contractor personnel responsible for patent matters. This anticipates the report of only inventive concepts that have perfected potential while eliminating those that have been shown to have doubtful utility and patentable significance. It is clear that such reporting will occur only after the contractor is satisfied it has reached the point of report for patent purposes rather than being forced to report (or delay reporting) on the basis of an arbitrary time period. Thus, the potential of a cloud on the contractor's title due to delayed reporting is obviated.

Arguments that the contractor will delay reporting indefinitely fly in the face of the contractors need to pursue the invention diligently if he is to be designated the first-to-invent. (See 35 U.S.C. 102(g))

The S.1657 treatment is consistent with the practice developed under P.L. 96-517 and OMB Circular A-124 and is suggested in the legislative history of that Act. The Judiciary Committee indicated on page 27 of Senate Report 96-480, that:

> "The committee is concerned that standard Federal Procurement Regulations and Defense Acquisition Regulations provisions may force premature decisions, and may literally require the reporting of inventions within times that are not consistent with normal operational practices and capabilities. For example, current requrements to report invention, within six months after they are "made" could lead to forfeiture of rights in numerous inventions if literally applied. Many inventions are not actually recognized as useful inventions for long periods after their technical "conception".

2. Requiring that government funded inventions be reported, elected and patent applications filed thereon within a reasonable time but prior to any act which would preclude obtaining foreign protection serves no identified government need and endangers the contractor's right to U.S. patents.

Under S.1657 the contractor is given what is considered a reasonable time to elect and file, with the proviso that elections and filings can be required prior to the date that any statutory bar may take place under the U.S. patent laws. Thus, S.1657 fully meets the requirements of the agencies to sometimes obtain patent protection in the United States for defensive purposes on inventions that the contractor elects not to file on.

However, the agencies apparently are not satisfied that S.1657 gives it adequate means to assure that it will receive a worldwide, royalty-free license, and the opportunity to file foreign applications for defensive purposes when the contractor fails to do so. They suggest a concern that the contractor might publish the invention, which in some countries might create an immediate bar to patenting (unlike United States law in which there is a one year period after publication within which to file patent applications.)

The agency concerns have little validity in the context of S.1657 which is primarily aimed at large, commercial contractors. These contractors normally discourage and control rather than encourage publication by their scientists and engineers so as to protect their companies secrets. It is accordingly, very unlikely that many agency contractors would have any incentive to publish research findings so as to destroy both their own and agency opportunity to file foreign patents. Instead, they would normally, even if they allowed a publication, first screen it and file an initial patent application. This, then, would fully protect both the company and the agencies.

It is important to note that even if S.1657 was amended to operate as requested by the agencies, it would still be the contractor who would exercise the first right of refusal and the agency would only have the right to file on rejected inventions. Since most DoE and NASA contracts now contain patent clauses giving the agency the first right of refusal to inventions made in performance of their contracts it appears safe to assume that the foreign patent

applications now in their patent portfolio were not rejected first by the contractor. (NASA and DoE are the only executive agencies that have been involved in filing more than insignificant numbers of foreign patent applications.) Redrafting S.1657 to encourage foreign filing on rejected inventions in an era of budgetary restraint should require greater justification than furnished.

DoD has never had a perceptible foreign filing program, so that S.1657 would have no perceived effect on them under any circumstances. The DoD position as it relates to effect of publication on foreign filings seems implausible. Presumably, the problem only arises in situations in which a publication would constitute a bar to patenting in the foreign country. However, it ought to be obvious that if the publication did establish a bar, then DoD's defensive concern would be fully satisfied because no one could then obtain a patent in that country. This being the case, there is really only one hypothetical set for facts under which the DoD concern would have any real validity. That is foreign filing in countries with immediate publication bars could only be justified on the basis that someone else may have filed an application on the same invention prior to the publication date, so filing by DoD could establish its place in interference and its possible entitlement to the patent in that foreign country.

As noted, the Defense Department has filed very few foreign patent applications in the past. None that we know of were brought into interference. Even if there were any, how many of these involved inventions that were ultimately purchased and practiced by DoD in that foreign country? It would no doubt be cheaper for DoD to ignore foreign filings altogether and to litigate or pay a royalty in the few cases, if any, that they or their suppliers are sued under foreign patent laws.

In conclusion, the only perceptible benefit to be gained by the agencies in requiring the right to reporting, election and filing of patent applications by the contractor prior to any act barring the ability to obtain foreign patent protection is the right in some few instances to file foreign patent applications on inventions rejected by the contractor. Conversely, such a right would negatively effect the contractor by permitting the agency to take U.S. patent rights on the basis of an unauthorized publication or disclosure by a contractor employee. This would be unlikely given the fact that

S.1657 covers large profit-making contractors. Further the agency position would conceivably force the contractor to file or forego filing of patent applications with insufficient information due to an impending publication. This would defeat the intent of S.1657 to give meaningful ownership of government funded inventions to contractors.