This is in response to our need to develop company comments and a position on S. 1215, a bill introduced by Senators Schmitt, Cannon and Stevenson entitled, "Science and Technology Research and Development Utilization Policy Act". In general, S. 1215 would establish a Government-wide patent policy for Federal agencies to follow in dealing with contractors performing Government-supported research and development. It also establishes a framework for the licensing of Government-owned inventions. A brief history leading to this attempt to establish a uniform policy seems appropriate prior to discussing the specifics of the bill.

Presidential Statements and Statutes on Government Patent Policy

There have been a number of attempts to establish a workable uniform patent policy for the Federal Government. Foremost has been the Presidential Memorandum and Statement of Government Patent Policy first issued in 1963 and then revised in 1971. These attempts have been in most part unsuccessful as policy has developed over the years on an agency-by-agency basis. There are wide variances in the way agencies have interpreted the Presidential policy and piecemeal legislation has made uniform implementation by the agencies increasingly difficult. As a result, today there are approximately 20 different patent arrangements employed by the various executive agencies.

Commission of Government Procurement

In 1971, a bipartisan Commission on Government Procurement, which included members from the Senate, House, Executive

Branch agencies, and the private sector, was established to recommend improvements in all aspects of procurement policy. A major task group of the Commission reviewed Government patent policy.

The Commission was skeptical of the Presidential policy and then existing statutes covering specific research programs because they generally relied on after-the-fact disposition of invention rights. The Commission saw such policy as causing delayed utilization of discoveries, increased administrative costs, and a lessening in the willingness of of some firms to participate in Government research work.

The Commission placed considerable importance on the need for Government patent policies to stimulate commercialization of inventions. Its December 1972 report stated that effective patent policy must take advantage of the fact that development will be promoted by those having an exclusive interest; at the same time the policy must provide for others' to exploit the invention if an exclusive interest does not produce desired results.

Nevertheless, the Commission recommended prompt and uniform implementation by the executive agencies so that further assessment could be based on actual experience. If such an assessment revealed weaknesses in the policy, the Commission suggested a legislative approach which would permit retention of title by contractors, subject to march-in rights and other safe-

guards. It also recommended legislation granting all agencies clear-cut authority to issue exclusive licenses.

The Committee on Government Patent Policy

The Committee on Government Patent Policy, which included representatives from all the major R&D agencies and was deemed responsible to evaluate Executive agency experience under the Presidential policy, concluded in 1975, that the plicy had not been effectively or uniformly implemented. The Committee found that patent policy legislation was needed to unify agency practices for allocating rights to contractor inventions and to clarify agency authority to grant exclusive licenses for Government-owned inventions.

The Committee's conclusion that legislation was needed appears to have been influenced by two situations. First, there was the enactment of patent legislation applicable to individual agencies, particularly Section 9 of the Federal Non-Nuclear Energy Research and Development Act of 1974 with title-in-the-Government orientation. The same language has since been incorporated by various agencies' R&D programs, such as the water resources and solid waste disposal acts.

The second situation was the confusion created by two lawsuits, brought against the Government by Public Citizens Inc., that questioned the authority of Federal agencies to exclusively license inventions and allow Government contractors to retain title to inventions. Because both suits were dismissed for

lack of standing to sue, and not on their merit, the issue was not resolved.

June 6, 1979 Testimony of Elmer B. Staats Comptroller General of the United States

On June 6 of this year the Comptroller General while testifying on S. 414, the University and Small Business Patent Procedures Act, updated this history. Mr. Staats indicated, "GAO (The General Accounting Office) reviewed the current patent procedures and practices of selected agencies and found that the Presidential policy had not been implemented uniformily. Agencies in establishing procedures for determining rights to inventions are often free to move in almost any direction".

The Comptroller General stated,

> "It (S. 414) would establish uniform Government-wide procedures under which small busness, university, and other nonprofit organizations could obtain title to inventions arising from Government-supported R&D".
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> . . . .
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> "The proposed Act (S. 414) would place initial responsibility for commercializing research results on the inventing contractor -- the organization or individual with the most interest in and knowledge of the invention. It would provide the Government with "march-in" rights. These rights limit the administrative burden because they would be exer-

cised only in specified situations."

Further,

> "The Act should solve a number of significant problems not currently satisfied by the Presidential policy . . . However, it is not the uniform Government-wide policy envisioned by the Procurement Commission in that it does not govern patent rights for larger contractors. As far as it goes, it is a clear legislative mandate establishing policy that is badly needed." (Emphasis Added).

General Comments on S. 1215

From the company's point of view the most significant aspect of S. 1215 is its intent to expand the concept of title-in-the-contractor subject to march-in rights from the limited coverage of small businesses and universities in S. 414 to all contractors including large contractors.

While such coverage can be argued to be both in the interest of the Nation and the company in enhancing the prospect of commercialization of inventions made with Government support the political atmosphere for S. 1215 at this time is not considered good. This conclusion is based on the concern expressed by a number of powerful legislators over what they believe to be a trend toward over concentration of American industry. This concern is best exemplified by the pending

Kennedy-Metzenbaum bill entitled "The Small Business Protection Act" which is intended to preclude concentration by severely limiting the ability of larger company acquisition of smaller companies. Some of the same group of legislators have indicated that joining large business to S. 414 (which they now co-sponsor) would require re-evaluation of their support. This is based on the premise that leaving government-funded inventions to larger contractors would enhance the trend toward concentration. Conversely, the favoring of small business intended by S. 414 is viewed as creating competition in the marketplace.

Comments on Some Sections of S. 1215

While S. 1215 would permit the company and other contractors to own most inventions generated in performance of Government funded contracts, and, is therefore, considered in our interest when dealing with the government, as well as the Nations', as ownership will create a national incentive to commercialize such inventions, the bill is considered to have some problems.

Section 301(a) of the bill requires title in the Government at the time of contracting if the agency determines that the invention falls within any one of five categorical definitions. (Sec. 301(a)(1)-5).

Section 301(a)(3) is particularly broad and non-definitive in stating that title in the government, "is necessary to

assure the adequate protection of the public health, safety and welfare." Since at the time of contracting no invention exists, it seems impossible to make a definitive judgment under this section. Accordingly, it seems that there will be a bias that when an agency deems it is dealing with a proposed contract which could produce such an invention to at least defer determination until the invention is made in order to assure that the agency is not criticized. Based on the poor experience of after-the-fact determinations it seems unlikely that title to any significant number of these inventions would be waived under Sec. 303.

Section 301(a)(4) is considered discriminatory as to nonprofit organizations in denying to these organizations a first option to future inventions at the time of contracting unless it is determined "to have a qualified technology transfer program as defined in Section 103." Without going into great detail, this provision seems to be particularly ironic in light of the fact that universities have a record of licensing their own inventions that is far greater than the Government's record in licensing its own inventions. To permit the latter to judge the former seems to be out of keeping especially in light of the fact that the bill provides to the Government agencies increased responsibility to license its own inventions which will tend to create a bias to refuse rights to nonprofit organizations.

While it is believed that the above sections should be amended or deleted, it should be noted that Section 201(b)(4) provides to the Department of Commerce a right to review and determine with administrative finality, decisions under these sections where a party believes it is aggrieved. This section, if utilized as intended, could do much to establish the uniform policy sought by the bill.