the licensing of a third party after appropriate petition, notice and hearing if the Board determines after review of the factors set forth in Section 312.(b) that such licensing would best support the purposes of the Act.

The provisions of paragraphs (C), (D) and (E) of this subsection, commonly referred to as "march-in" rights, are intende to cover situations of insufficient use, important and imminent public needs, and considerations of competition which are applicable at any time after title vests in the contractor. The additional "march-in" provision of paragraph (F) provides an appropriate period of exclusivity to encourage contractor participation and commercialization of inventions, because those critical areas of concern where exclusivity may not be appropriate have been covered by the "march-ins" of paragraphs (C), (D) and (E). At the end of such period of exclusivity those inventions which are of interest to competitors may be licensable depending upon the balancing of the criteria set forth in Section 312.(b).

The ten-year period is tolled for the period of time a contractor is required to be before a regulatory agency for premarket clearance of its invention in order to put such inventions on an equal footing with inventions which require no such premarket clearance.

Subsection (b)(3) requires that the Board consult with the Federal agency involved before taking action under Section 311.(b)(2)(D), (E) or (F).

have been covered by the "march-ins" of paragraphs (C), (D)

(c) Contractor's rights.

Subsection (c) establishes a defeasible title in the contractor in those inventions on which the contractor files a United States patent application and declares his intent to commercialize subject to those rights granted to the Government in Subsection (b)(2). Subsection (c) further provides that the contractor's employee-inventor may assume the contractor's rights with the permission of the contractor and the sponsoring Federal agency.

Sec. 312 Other Provisions.

(a) Extension of Contractor's exclusive commercial rights.

Subsection (a) permits the sponsoring Federal agency to extend the normal five or ten-year periods of exclusivity of Subsection 311.(b)(2)(F) for good cause following notice to the public and an opportunity for filing written objections. Although the normal periods will satisfactorily create the degree of exclusivity necessary for contractor participation and invention commercialization, there will be a small number of situations which may require an extension of the normal periods. To assure that this authority comes under public scrutiny, however, the agency is required to provide public notice prior to making any extension.

(b) Board considerations.

Subsection (b) suggests to the Board a series of eight factors which it may consider in determining whether and to what extent to exercise its right to require licensing after

the normal period of market exclusivity has expired. Review of these factors against the marketed invention are designed to aid in more sharply defining the equities of the Government, the public and the contractor in such invention.

(c) Alternative criteria of the allocation of property rights in Subject Inventions.

Subsection (c)(1) permits the Head of a Federal agency to deviate on a case-by-case basis from the single patent rights clause in rare situations where exceptional circumstances exist. Each deviation must be published and reported to the Council for review to assure judicious use of the authority. This subsection is not intended to authorize repetitive case-by-case deviations on similar fact situations, because such deviations are to be handled as class deviations under the regulations drafted pursuant to Sections 311 and 312.(c)(2).

Subsection (c)(2) provides that the regulations may permit deviations in two class situations which are considered to pose equity considerations radically different from those that arise in the conventional negotiations for research and development services. These classes cover contracts involving cosponsored cost sharing, or joint venture research where the contractor is required to make a substantial contribution of funds, facilities or equipment, and also special contracting situations such as Federal price or purchase supports and Federal loan or loan guarantees.

such deviations are to be handled

Subsection (c)(3) assures that in no event can the antitrust "march-in" of Section 311.(b)(2)(E) be waived by either an Agency or any regulations drafted pursuant to this Act.

Chapter 2--Inventions of Federal Employees

Sec. 321 Reporting of Inventions.

Section 321 requires that Federal employees report to the Federal agency all inventions made while an employee of that Agency.

Sec. 322 Criteria for the allocation of rights to inventions.

Section 322 establishes the criteria for allocation of invention rights between the Federal Government agency and its employee-inventor.

Subsection (a) establishes the right of the Federal Government to obtain the entire right, title and interest in all inventions made by a Federal employee "which bear a relationship to the duties of the employee-inventor, or are made in consequence of his employment."

Subsection (b) establishes the right of a Federal employee to the entire right, title and interest in any invention made by the employee-inventor in any case where the invention does not bear a relation to his duties or was not made in consequence of his employment, subject to certain license rights in the Federal Government if the invention was made with a contribution by the Federal Government.

Subsection (c) establishes the right of the Federal

Subsection (c) establishes in the Federal agency the right to leave the entire right, title and interest in an invention to an employee-inventor notwithstanding the right of the Federal Government to obtain such interest under Subsection (a), where the Agency determines there is an insufficient interest in the invention to justify seeking patent protection. Notwithstanding such right in the Federal agency, it may publish or dedicate to the public such invention if it is determined to be in the public interest.

Subsection (d) establishes in the Federal employee the right to retain the entire right, title and interest in his invention in any case not falling within Subsection (a), (b) or (c).

Sec. 323 Application of criteria.

Subsection (a)(1) sets out employee duties which establish a presumption that an invention made by such employee falls within the criteria of Subsection (a) of Section 322. Thus, for example, if an employee is assigned to conduct research and development work, it is presumed that any invention he makes will be disposed of under the criteria of Section 322.(a), reserving to the Federal Government the right to obtain the entire right, title and interest to such invention.

Subsection (a)(2), however, establishes a presumption that an invention made by an employee whose duties fall outside those listed in Subsection (a)(1) falls within the criteria of Subsection (b) of Section 322 reserving to the employee the entire right, title and interest to such invention subject to certain license rights in the Government.

Subsection (b) provides that either presumption of Subsections (a)(1) and (2) may be rebutted by the facts or circumstances attendant upon the conditions under which any particular invention is made.

Sec. 324 Review of Federal Agency determinations.

Section 324 provides for review of Federal agency determinations regarding the respective rights of the Federal Government and a Federal employee-inventor in situations when the Federal agency determines not to acquire all right, title and interest in an invention or where an employee-inventor when aggrieved by a determination requests review.

Sec. 325 Reassignment of rights.

Section 325 establishes a right in the Federal agency to adjust the rights acquired from a Federal employee-inventor on the basis of evidence that the granting of greater rights to the employee-inventor is necessary to correct an inequitable allocation of rights.

Sec. 326 Incentive Awards Program.

Subsections (a) and (b) provide to the Federal agencies the right to establish an incentive awards program which is intended to monetarily reward or recognize Federal employee-inventors, stimulate inventive creativeness, and encourage disclosures of inventions which in turn will enhance the possibility of utilization through the Federal licensing program established under Title IV.

the rights acquired from a Federal employee-inventor on the

Subsections (c) and (d) establish the amount of such awards and the procedures under which they shall be granted.

Subsection (e) provides that a cash award is to be considered in addition to the regular pay of the recipient. Further, acceptanc of the reward consitutes an agreement that any use by the Federal Government of an invention for which the award is made does not form the basis of a further claim of any nature against the Federal Government by the recipient, his heirs, or assigns.

Subsection (f) designates the fund or appropriation from which the awards should be made.

Subsection (g) makes discretionary the implementation of the awards program of this section.

Sec. 327 Income sharing from patent licenses.

Section 327 establishes the right in a Federal agency to share with the Federal employee-inventor the income received by such Agency from income bearing patent licenses for an invention.

Sec. 328 Conflict of interest.

Section 328 provides that determinations concerning a Federal employee's promotion of his invention is subject to the regulations of the Civil Service Commission. The intent is to ensure that a Federal employee will not be prohibited from promoting his own invention if consistent with the Civil Service Commission regulations governing conflict of interests.

TITLE IV--DOMESTIC AND FOREIGN PROTECTION AND LICENSING OF FEDERALLY-OWNED INVENTIONS

Sec. 401 Authorities of Federal Agencies.

Section 401 provides the authorities necessary to effectively administer the licensing of Federally-owned inventions.

Subsection (a) authorizes the Federal agencies to apply for, obtain and maintain patents in selected countries on inventions in which the Federal Government owns a right, title and interest.

Subsection (b) authorizes the Agencies to promote the licensing of inventions covered by Federally-owned patents or patent applications.

Subsection (c) authorizes the agencies to grant licenses under Federally-owned patents and patent applications on appropriate terms, including the right in the licensee to sue for infringement.

Subsection (d) authorizes the Agencies to conduct market surveys, acquire technical information and demonstrate the practicability of a Federally-owned invention for the purpose of determining and enhancing its marketability.

Subsection (e) provides to the Agencies the right to defer release of information disclosing an invention the Federal Government owns a right, title or interest in for a reasonable time until a patent application has been filed.

Subsection (f) authorizes the Agencies to utilize all other suitable and necessary steps to protect and administer rights to inventions on behalf of the Federal Government either directly or through contract.

Subsection (g) authorizes the Agencies to transfer custody and administration of a Federally-owned invention to the Department of Commerce or other Federal agency for the purpose of administering the authorities set forth in Subsections (a) through (d) without regard to the property transfer procedures required by the Federal Property and Administrative Services Act of 1949.

Subsection (h) authorizes the Agencies to designate the Department of Commerce as the recipient of funds received from fees, royalties or other management of Federally-owned inventions.

Sec. 402 Authorities of the Department of Commerce in cooperation with other Federal Agencies.

Section 402 provides the authorities necessary to effectively administer the licensing of Federally-owned inventions by the Department of Commerce either in cooperation with other Federal agencies or solely based on a transfer of administration of a Federally-owned invention to the Department of Commerce.

Subsection (a) authorizes the Department of Commerce to coordinate a program for assisting all Federal agencies in carrying out the authorities provided by Section 401.

Subsection (b) authorizes the Department of Commerce to publish notices of all Federally-owned inventions available for licensing.

Subsection (c) authorizes the Department of Commerce to evaluate inventions referred to it by Federal agencies in order to identify those inventions with the greatest commercial potential.

Subsection (d) authorizes the Department of Commerce, with the concurrence of the Agency involved, to assist the Federal agencies in seeking and maintaining protection on inventions in any country, including the payment of fees and costs connected therewith.

Subsection (e) authorizes the Department of Commerce to accept custody and administration of Federally-owned inventions from other Federal agencies without regard to the property transfer procedures of the Federal Property and Administrative Services Act of 1949.

Subsection (f) authorizes the Department of Commerce to receive funds from fees, royalties or other management of Federally-owned inventions authorized by this Act provided such funds will be used only for the purposes specified by this Act.

Subsection (g) authorizes the Department of Commerce to undertake all of the above functions either directly or through contract.

Sec. 403 Authorities of the General Services Administration.

Section 403 authorizes the Administrator of General Services to promulgate regulations specifying the terms and conditions under which Federally-owned inventions may be licensed.

Sec. 404 Grants of an exclusive or partially exclusive license.

Section 404 sets out the terms and conditions under which a Federal agency may grant an exclusive or partially exclusive license.

Subsection (a) provides that an exclusive or partially exclusive license under a domestic patent or patent application shall be

granted only after notice and an opportunity to object has been afforded to the public, and a determination that such licensing is a necessary incentive to call forth the investment of risk capital to bring the invention to practical application, and that the terms and scope of exclusivity are not greater than reasonably necessary to provide such incentive. However, no such license should be granted in the event an Agency determines that the license will "tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws." The quoted language is derived from "The Federal Nonnuclear Energy Research and Development Act of 1974" and is discussed in the conference report on S.1283.

Subsection (b) provides to the Federal agencies the authority to grant an exclusive or partially exclusive license under any foreign patent or patent application after notice to the public and opportunity for objection and a determination that such licensing will enhance the interest of the Federal Government or United States industry in foreign commerce. However, such license shall not be granted in the event an Agency determines that the license will "tend to substantially lessen competition or result in undue concentration in any section of the country in any line of commerce in which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws."

Subsection (c) requires that the Federal agencies maintain a record of determinations to grant exclusive or partially exclusive licenses.

Subsection (d) requires that the grant of an exclusive or partially exclusive license contain at least (1) a requirement for periodic reports on commercial utilization, (2) the standard paid-up license to the Federal Government, (3) the right in the Federal agency to terminate such license if the licensee is not taking effective steps towards utilization of the licensed invention, and (4) the right of the Federal agency after petition, notice to the public, and hearing three years after the grant of the license, to terminate or modify such license on a determination that such license "has tended substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology licensed relates, or to create or maintain other situations inconsistent with the antitrust laws."

TITLE V--MISCELLANEOUS

Chapter 1--Other Related Provisions

Sec. 511 Definitions.

Section 511 sets out the definitions, for the purpose of this Act, for the terms, "Federal agency," "Federal employee," "contract, "contractor," "invention," "subject invention," "practical application," "person," "made," and antitrust law."

lessen competition or

Sec. 512 Relationship to Antitrust Laws.

Section 512 is intended to remove any implication that the Act provides immunity from the antitrust laws.

Chapter 2--Amendment to Other Acts

Sec. 521 Identified Acts amended.

Section 521 is intended to amend or repeal parts of other acts covering similar subject matter.

Acts which have been identified as covering similar subject matter are:

"The Agricultural Research and Marketing Act of August 14, 1946".

"The Federal Coal Mine Health and Safety Act of 1969".

"The National Traffic and Motor Vehicle Act of 1966".

"The National Science Foundation Act of 1950".

"The Atomic Energy Act of 1954".

"The National Aeronautics and Space Act of 1958".

"The Coal Research and Development Act of 1960".

"The Helium Act Amendments of 1960".

"The Saline Water Conversion Act of 1961".

"The Arms Control and Disarmament Act of 1961".

"The Water Resources Act of 1964".

"The Appalachian Regional Development Act of 1965".

"The Solid Waste Disposal Act".

"Title 38, U.S.C. 216".

"The Federal Nonnuclear Energy Research and Development Act of 1974".

Chapter 3--Effective Date Provision

Sec. 531 Effective date of Act.

Section 531 provides that this Act shall take effect on the first day of the seventh month beginning after the date of enactment of this Act, except that regulations implementing this Act may be issued prior to such day.

PRESENTATION OF NORMAN J. LATKER
AT AMERICAN PATENT LAW ASSOCIATION MEETING
SHERATON PARK HOTEL, WASHINGTON, D. C. - JANUARY 8, 1976

CURRENT GOVERNMENT PATENT POLICY AS APPLICABLE TO UNIVERSITIES AND NONPROFIT ORGANIZATIONS

Please keep in mind I'm speaking in the context of inventions arising from university research.

~~A few days ago, by happenstance, and coincidental to the remarks of the luncheon speaker, Mr. Baker, I came across and read for the first time the~~ Recently, I re-read and reviewed the already famous 1939 letter from Dr. Einstein to President Roosevelt pointing out to the President the imminence of the first controlled nuclear chain-reaction and the advent of the Atomic Age. In the letter Einstein made the following recommendations with a view toward expediting the work:

> "In view of this situation you may think it desirable to have some permanent contact maintained between the Administration and the group of physicists working on chain reactions in America. One possible way of achieving this might be for you to entrust with this task a person who has your confidence and who could perhaps serve in an unofficial capacity. His task might comprise the following:
>
> a) to approach Government Departments, keep them informed of the further development, and put forward recommendations for Government action, giving particular attention to the problem of securing a supply of uranium ore for the United States;

1) is licensed to practice law, 2) can maintain its tax exempt status since there is an appearance of selling a service to the public which is unrelated to its charitable purpose, and 3) can successfully deal with potential licensees who attempt to negotiate directly with the principal in order to obtain better terms. While 1) and 2) may pose no problems to industrial contractors, 3) may impact equally on industrial contractors seeking to license their rights. Whether one deems these problems insoluble or not, the assignment of title is a requirement of existing non-profit patent management organization, and attempts to change the established procedure will, no doubt, meet with resistance.

In light of the above, we consider the 2(b) option to be an unacceptable course when applied to universities and non-profit organizations. Although applying the 2(b) option to industrial contractors who themselves will be delivering to the marketplace may have lesser complications, we perceive other problems in that area, which should be considered prior to pursuing the 2(b) option further.

In this regard, some understanding of what will transpire at the time an exclusive license terminates must be reached. If it is intended to return management of a substantial number of inventions to the Government after an exclusive license ends, we envision substantial administrative difficulties in bringing the departments and agencies of the Executive up-to-date on the exclusive licensee's experience in the marketplace before the Government could grant additional licenses. Further, we believe that a policy requiring the Government to assume the responsibility of granting nonexclusive licenses after the exclusive license ends will act as an additional disincentive to the involvement of university and non-profit organizations in technology transfer. This result is but the natural consequence of diminishing prospects for income from nonexclusive licensing.

In conclusion, we must advise that, in our opinion, the 2(b) option is more than cosmetically different from the 2(a) option, especially as it applies to the university and non-profit research sector. This option should not be pursued further without a fuller examination of its ramifications. It is suggested that the protection afforded by the Government through the use of option 2(b) could as easily be

JAN 14 1976

Dr. Betsy Ancker-Johnson
Chairman, Committee on Government
Patent Policy
Department of Commerce
Room 3862
Washington, D.C. 20230

Dear Dr. Ancker-Johnson:

This is in response to your invitation to all Committee members for additional agency comments on the Committee's January 6, 1976 preliminary indication to pursue option 2(b) permitting Government contractors to retain an exclusive license in inventions they generate in performance of Government-funded research and development contracts.

My review indicates that the differences between the title and exclusive license options appear to be more serious within HEW than could be highlighted and discussed in the limited time available at the January 6 meeting. This is especialy true where the contractor will not himself deliver the invention to the marketplace but must license a third party to attract the risk capital necessary to accomplish such delivery. While such licensing by an industrial contractor may be infrequent, it is a primary and rapidly-growing mechanism in bringing university and non-profit institution inventions to the marketplace.

Historically, university and other non-profit research institutions generally utilize the services of either (1) an in-house but separately-incorporated patent management organization, such as the Wisconsin Alumni Research Foundation, or (2) a nationwide non-profit patent management organization, such as Research Corporation, when involved in patent licensing for the purpose of technology transfer.

Traditionally these patent management organizations have required assignment of title from the university and non-profit organizations they serve. I am advised that assignment of title is considered essential in order to negate any appearance that the patent management organization is acting as an agent rather than the owner of the invention. An agency relationship with the patent titleholder raises the question of whether the non-profit patent management organization

obtained by permitting contractors to retain title subject to well defined march-in rights. Such a policy would come closest to creating the optimum conditions for contractor participation in Government research and development and ultimate utilization of its results without the administrative costs highlighted above.

Sincerely yours,

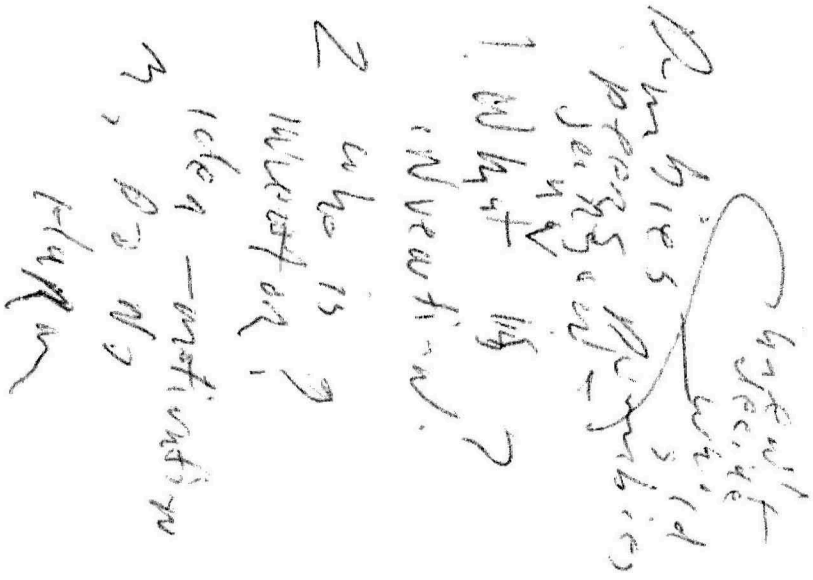
Dr. Lowell T. Harmison
Special Assistant to the
Assistant Secretary for Health

DHEW/OS/GCB NJLatker:cam 1/14/76

Mr. Postman says if you are arriving at Forrestal by driving east on Independence, then turn right on 12th street (street is torn up but still usable). Then turn immediately left, down ramp, to basement of Forrestal. There is a guard at the bottom of the ramp. He knows you are coming. You will probably get a temporary parking ticket.

O.A. is on from 8.30 to 9.30--you should probably arrive about 9.00 anyway.

Room is 5E083



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, D.C. 20314

29 October 1976

Mr. Norman J. Latker, Patent Counsel
National Institutes of Health
Westwood Building
Bethesda MD 20014

PATENT BRANCH, OGC
DHEW

NOV 2 1976

Dear Mr. Latker

Thank you for your offer to participate as a guest lecturer in our second annual Patent Officer Training Course to be presented this year during the week of December 6th. The sixteen students attending the course this year are almost evenly divided between civilian and military attorneys of the Air Force, mostly from Air Force procuring activities, who have been appointed as "Patent Officers" or whose duties are concerned in various degrees with inventions, patents, copyrights, and rights in technical data and computer software. These attorneys for the most part do not have any formal training in patent or copyright law. This course is designed to provide these men with both the legal and practical background necessary to the effective performance of their duties. Your willingness to assist in this effort is greatly appreciated.

Enclosed is a copy of the course program as presently scheduled. You will note that your presentation is set for Wednesday morning, December 8th, at 9:30 a.m. If there is any problem with this date or time period, please let us know as early as possible so that the schedule may be changed. Also, if there is anything that you would like to have duplicated and included in the course materials that we are preparing for distribution to the students, we would need to receive it by November 26th. If you have any questions, please contact Marty Postman at 693-5710.

Joseph E. Rusz

JOSEPH E. RUSZ
Chief, Patents Division
Office of The Judge Advocate General

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

Program for Patent Officer Training Course
7-10 December 1976
Room 5E083 Forrestal Building, Washington, D.C.

Tuesday 7 December

0830	Welcome	Postman
0835	Opening Remarks	General Vague
0845	Introduction & Scope of Course	Postman
0900	AF Patent Organization & Functions	Rusz
Break		
0945	ASPR Patent Rights Clauses: When used; Clause requirements & reporting provisions	Postman
	Administration of patent rights provisions: Follow-up, Disputes re Subject Inventions	Crawford
Lunch		
1300	Processing and Evaluation of Invention Disclosures	Kundert
Break		
1445	Patent Soliciting in the Air Force	Libman
1500	Employee Rights; Incentive Awards	Gluck

Wednesday 8 December

0830	Patent Policy under Government Contracts Presidents Policy Statement; Proposed Legislation	Neumann
0930	University Patent Policy - Institutional Patent Agreements	Latker
Break		
1030	Consultation Period - Visit individual attys. in Pats. Div. & other JAG offices to discuss special and mutual problems	
Lunch		
1300	Rights in Technical Data & Computer Software Practical Problems in Data & Software Rights Policy, Proposed ASPR changes, Value Engineering Change Proposals, Solicited and Unsolicited Proposals.	Prahinski Postman

Thursday 9 December

0830	Administrative Claims for Infringement	Budock
Break		
1000	Patent Litigation in the Court of Claims; Air Force - Dept. of Justice Relationship; Interrogatories; Evidence	Byrnes

Lunch		
1300	Patent Indemnity; Notice and Assistance; Auth & Consent	Freudenberg
1330	Royalties & Allowability of Patent Costs	Wiseman
Break		
1430	Feedback Sessions	
	Group 1. Patents Rights; Disclosures; Claims & Litigation	Singer, Budock
	Group 2. Rights in Technical Data and Computer Software; Copyrights	Postman, Libma

Friday 10 December

0830	Copyrights	
	Gov't Policy: Employee Works, Contractor Works	Postman
	Infringement; Fair Use; Royalty Free Permission; Licenses	Libman
	New Copyright Law	
Lunch		
1300	Revision of AFR 110-8	Jarcho
1330	Administration of the Invention Secrecy Act 35 U.S.C. 181-188	Hilton
Break		
1400	New Government Patent Licensing Regulation AFR 110-33	Peterson
1430	Technology Dissemination and Utilization	Urbach
1500	Overview & Closing Remarks	Rusz
	Adjourn	

NJL — Served in DOD — Ordinance — Det. Base
AFSC — at Andrews before going
to NIH / DHEW.

I know some of your echelon
problems — ~~and~~ which causes a loss of understanding
of ~~where your going~~ your objective because of
the piecemeal handling of parts
of the whole problem & I hope
your all fighting that.

I've been advised that your
not experts in ~~patents~~ inventions —
Don't let that ~~be~~ bother because
I don't think I and my
peers know much either —
We've been arguing for 20 years
over who can best manage
inventions — gov't the inventing
organization / the inventor, and still haven't arrived at a conclusion.
The only difference between us for the gov't as a whole
is that we've developed a
special jargon that makes us
look smart and you dumb.

I've got a little written
presentation here — but before
I go into that I liked to
speak to a few thoughts I had
on what to say to group of lay people
while driving down here today

FIRST what is invention?

guy like me who got up this morning ~~and~~ in a centrally heated house went to refrigator and stove ~~for~~ ~~and~~ opened a bunch of cans for breakfast, leaped into a car turned a key and drove ~~in~~ 10 miles in 15 minutes over paved roads to this building and got to the fifth floor in an elevator.

IN others words the difference is between savagery and civilization. Of course we have a whole group of people who ~~say this~~ technology is destroying our character — ~~well~~ the search for knowledge ~~handlly seems to me to be character problems~~ has not seemed to prostituted ~~me~~ most people I know.

Second — Who is an inventor?

An inventor is a guy with an idea faced with fantastic problems — first he's all alone (no public interest group going to help him) confronted by peers who generally are envious or fear him because his success makes them appear to less than he. Further he is faced by a vast number

What motivates an inventor?
well maybe.
1) the search for truth
2) the respect of his peers
3) or money.

Probably all three are involved but I'm inclined to think that 1) and 2) are the real motivation and money ~~is~~ only represents that he has achieved the search for truth and the respect of his peers (I extend that comment to operative organizations as well as individuals)

But back to the inventor — don't forget his loneliness and his the long road he has ahead —— ~~The stone~~

It's said that Chester Carlson visited 100 firms before he got the risk capital necessary to move xerox forward.

That popped into my mind ~~[illegible]~~ the Hypocratic oath for doctors?

I think it's first sentence is "First do No harm"

I think that might be a good rule when your exposed to invention or inventors "First do No harm" —— maybe another way of stating that is the inventor is your "master"

The DHEW experience since 1974 has been rapidly accelerating. We presently have 67 IPAs with universities whose patent portfolios are increasingly more rapidly than expected due to increased industrial interest in innovations. I believe the increase in industry interest is based on the realization that it is more efficient to purchase ideas showing some efficacy than funding large R&D programs before reaching a winner. This w/ patent rights available from universities operations can avoid the expenses generating a number of losers at their own expense before reaching a potential winner.

Why not just invest in university inventions with demonstrated potential?

Notwithstanding the above analysis the market for ideas is a buyers market not a sellers market with demonstrated potential since there are more ideas available than buyers. That is why we believe it is important to attempt to create a spirit of advocacy in universities to pursue prospective developers — the

with risk capital.

the ~~stat~~ poor statistical showing of utilization of Gov't owned inventions.

widely rejected because of the inability of transferring the inventor's enthusiasm to the Government who has assumed title, and

If I were to leave you with a single message today it would be do everything possible to maintain any spirit of advocacy you detect in a University to pursue marketing a particular invention — once this advocacy is gone it cannot be replaced by a Government staff. In other words — do not create superficial barriers by reading regulations in a restrictive manner — The University patent manager is in reality an agent of the Government and should be supported in the area of invention in any manner possible within the law.

I wld also note that there is a growing number of inventions arising at universities touched by funds from more than one agency. In these situation, the university wishing to move forward finds itself saddled with conflicting responsibilities. In these situations it is encumbent on the agencies — not the university — to resolve the conflicts so that the university

Please — Please

in ~~such~~ situations where the agencies could not arrive at mutually acceptable terms in managing the invention. This ~~of cou~~ I believe is not in the interest of ~~the~~ anyone as the result usually involves loss of interest on the part of the university ~~as~~ an advocate and no activity on the Gov't's part.

Of course if the intraagency committee can ultimate pensuade all the Agencies of the Executive to accept the IPA policy and use of the standard agreement ~~Near completion~~ Now being reviewed for final issuance such problems will be hopefully avoided — and our energies can be turned towarded expediting the use of inventions rather than arguing about who owns them.

Time allowing

Let me shortly cover the university situation as I understand it at DOD.

1. Usually license policy — great!
2. New policy requiring showing of technology transfer function in field of invention — ~~dumb!~~ before license clause is used — dumb! and going
3. Title — Note tha FPR provides procedure for waiver — good

STANFORD UNIVERSITY
STANFORD, CALIFORNIA 94305
Area Code 415 497-3567

OFFICE OF
TECHNOLOGY LICENSING
ENCINA 6-930

December 28, 1976

PATENT BRANCH, OGC
DHEW

JAN 4 1977

The Honorable Paul N. McCloskey
205 Cannon House Office Building
Washington, D.C. 20515

Dear Pete:

I am sorry I missed your recent telephone call. Enclosure (1) is a second copy of my letter of July 9, which concerned H.R. 12112, the ERDA Loan Guarantee Bill. The Bill was eventually defeated 193-192 in the last session. The July 9 letter also included a copy of a letter sent to the four California congressmen that were on the committee reviewing the Bill.

Enclosure (2) is a copy of some very brief testimony given before the "National Commission on the Protection of Human Subjects in Biomedical and Behavioral Research" at their December 11 hearings. It capsulizes another negative factor in enabling use by U.S. industry of the results of the tremendous amount of basic research funded by various government agencies. Dr. Betsy Ancker-Johnson of Commerce, Howard Bremer of Wisconsin, and Norman Latker, HEW Patent Counsel, also gave testimony which was more detailed and which explains the situation further, at the same hearings. Dr. Ancker-Johnson's office will have copies of those testimonies if you'd like to look into that issue further and possibly be of assistance.

ERDA patent policy and practice are key areas where the legislature could be of great help in enabling innovation by U.S. industry of energy technology. ERDA is following the AEC policy of tightly controlling industry research and development. This is partially accomplished by maintaining proprietary rights of companies in a government "idea bank." When ERDA takes title to an invention, a company does not have justification to invest its risk capital without a proprietary position. It has been estimated the cost of developing an invention to a product is on the order of 100 times the cost of research which led to the invention. ERDA thus continues to control further development and must continue to supply government funds until risk is gone. This has another side effect--that of narrowing participation in ERDA research to the dominant companies in an industry. A proprietary position is critical to a small company attempting to compete in an established market.

The title-in-government philosophy is also sometimes called the "empty head theory." This theory presumes that an individual (or company) working under a government contract brings nothing to the table and, because the government grant or contract pours all knowledge into that "empty head," the government therefore should own all inventions. By the government

"owning the inventions," the chance of development of these inventions is reduced to a very small percentage. In fact, through this philosophy, the government has accumulated some 28,000 patents, which, detached from their inventors, are largely useless.

The arguments that you will hear against companies (or universities which then license to companies) owning title to inventions of their research results are that: (1) the public pays, the public should benefit, not one contractor to the exclusion of his competitors; (2) patent rights are a windfall to a contractor enabling a "monopoly surcharge in the marketplace;" and (3) contractors will take government money anyway, notwithstanding a title policy. Ralph Nader also has picked up this cry. Unless one has studied the issue, a first reaction is to agree with this reasoning. Enclosure (3), a 1974 Washington Post article, quotes letters by Senators Long and Hart and Ralph Nader which follow the same theme. Their position ironically results in the opposite of what they postulate. However, I am not aware the Anti-Trust Division of Justice or Mr. Nader's staff has produced even one example of the case where "monopoly profits have been extorted" as a result of a patent from government funded research. It is certainly possible, however, that companies may indeed make profits from inventions derived from government sponsored research. Making profits is entirely consistent with, and indeed a goal of, our nation's economic system. The other side of the coin is that by preventing profits, you also prevent utilization (and new jobs, better ability to compete in world trade, etc.) In the present climate of distrust, unfortunately, it is easier to argue the negative side than the positive side.

Ironically, foreign industry in many cases makes greater use of U.S. patents and technical data than U.S. industry. This is largely because of the difference in the system of incentives between the U.S. and, for particular example, Japan. (This is covered more in Enclosure 2.) If you investigate, I think you will find that the sale of NTIS (Commerce's National Technical Information Service) materials is a multi-million dollar business in Japan.

In short, legislative developments and agency policies have been detrimental to the innovation by U.S. industry of (again ironically) U.S. derived technology. I would like to recommend opening up a line of communication with the Assistant Secretary of Commerce for Science and Technology (now Dr. Betsy Ancker-Johnson). This office has been alert to legislative actions and agency policies detrimental to innovation.

In particular, a sensible uniform (all agencies) government patent policy is now under consideration. I understand the Subcommittee on Domestic and International Scientific Planning and Analysis (Chairman, Ray Thornton) of the House Committee on Science and Technology held hearings on this policy last October.

I look forward to the chance to meet you in the future.

Best regards,

Niels J. Reimers
Manager, Technology Licensing

bcc also to:
Phil Sperber w/Testimony
N. Latker; H. Bremer

cc: Dr. Betsy Ancker-Johnson
NJR:sh
bcc: Robert Freelen