The Licensing Program Created by H.R. 6933 and S. 1250

Summary

The purpose of this review is to highlight that one of the more significant results that will emerge from passage of H.R.6933 will be a heavily financed government patent licensing bureaucracy either administer by the Department of Commerce or individually by the Executive Agencies. This program could be fueled by an annual infusion of up to 150 million dollars authorized by the "Stevenson-Wydler Technology Act" which has recently passed the Congress. The 150 million dollars is earmarked from already appropriated research and development programs.

Because of the licensing authority provided to Executive Agencies under H.R. 6933 and the funds available to utilize this authority it is believed that there will be a strong bias in the agencies to use their wide discretion under the bill to deviate from the bill's standard guidelines on invention disposition toward obtaining government ownership in order to build a government patent portfolio. This is considered the natural consequence of such a heavily financed licensing program not withstanding evidence that government ownership by agencies with existing licensing authority has not resulted in commercialization equal to that accomplished through private ownership.

Analysis

A. The Funding and the Authority for a Government Licensing Program

Sec.11(b) of S.1250, the "Stevenson-Wydler Technology Act" provides that:

> "after September 30, 1981, each Federal agency which operates or directs one or more Federal laboratories, shall make available not less than 0.5 percent of the agency's research and development budget to support the technology transfer function at the agency and at its laboratories..." (emphasis added)

0.5 percent of the current 30 billion dollar Federal research and development budget comes to 150 million dollars.

Sec. 11(d) of S.1250, provides for the establishment in the Department of Commerce of a Center for the Utilization of Federal Technology. The section further provides that:

> "The Center for the Utilization of Federal Technology shall -
> (1) serve as a central clearinghouse for the collection, dissemination and transfer of information on Federally-owned or originated technologies having potential application to State and local governments an to private industry;

The term "technolgy transfer" has been used extensively as either a synonym for "patent licensing" or as a minimum, to include "patent licensing".

Sec. 409(b) and (c) and 410(a)(2) of H.R.6933 clearly provides that the Department of Commerce or individual agencies will have the authority to administer a patent licensing program.

Accordingly:

> Sec. 409(b) indicates that: "Agencies may license federally owned patent rights.....
>
> Sec 409(c) indicates that..... Agencies may transfer patent rights to other agencies and accept them from other agencies....."
>
> and
>
> Sec 410 (a)(2) indicates that..... "The Secretary of Commerce will - coordinate a program to help agencies in exercising the authority given by section 409."

While the language quoted from H.R. 6933 and S.1250 is unclear as to whether the Department of Commerce has authority to centralize patent licensing under its auspices it is a possibility. Centralization could lead to a National Research and Development Corporation (NRDC) type of organization which many believe to be the antithesis of this country's pluristic approach to technolgy transfer.

B. Ownership of Government Funded Inventions

It is clear from H.R. 6933 that much of the Government patent portfolio could be made up of Government employee inventions. Accordingly, Sec. 393(1) provides that

> "If the innvention bears a direct relation to the duties of the employee - inventor or was made in consequence of his employment the government will acquire all rights to the invention".

But in the case of inventions made by Government Contractors (whether small, large or a university), ownership will be governed by how the discretionary authorities left to the Federal agencies will be exercised. Thus, Sec. 388(a) of H.R. 6933 provides that,

> "An agency may deviate from the allocation of patent rights in contract inventions provided for in any standard patent right clause.....,to further the agency's mission and the public interest It may so deviate on a class basis only in accordance with regulations ... or, unless prohibited by those regulations by the agency." (emphasis added)

No one can accurately predict how this deviation provision will be administered until the policy recommended and the regulations implementing it are in operation. However, the existence of a heavily financed patent licensing program administered by the same persons defining the breadth of the deviation authorities leads to the conclusion that the discretionary authority will be biased toward government obtaining title in order to maximize use of its licensing program.

In addition to obtaining title through exercise of its discretionary powers, the government will obtain title to all inventions made by contractors other than small business or universities under Sec. 384. Thus sec. 384(a) of H.R. 6933 provides that

> "Upon the filing of a completed list (showing each field of use in which the contractor intends to commercialize a reported invention), or at the end of the four and one-half year period, whichever is earlier, the Government will acquire from the contractor title to all United States patent on such inventions. (parenthetical phase added).

The title acquired is absent an exclusive license to those field of use the contractor indicates that it intends to commercialize (unless the license is denied by the agency on the basis that it would impair national security or be inconsistent with anti-trust laws). Thus, Sec 384(b) of H.R. 6933 provides that

> "If such contractor has filed a United States patent application within a reasonable time after it has disclosed ..... it will receive an exclusive license in each described field of use ..... under each United States patent transferred to the Government....."

It is clearly intended that Sec. 384 provide the Government the right to grant licenses to fields of use the Government has not otherwise agreed to leave to the Contractor. Here also, the discretionary authority left to the agencies in choosing fields of use to be left to contractors could well be biased toward goverment retaining all rights in order to maximize use of its licensing program.

Even if Government administration results in leaving most, if not all, selected fields of use to contractors we are left with the conclusion that the agencies may well utilize their new found authority to license remaining fields of use notwithstanding their apparent lack of commercial utility. In fact, the presence of the licensing program will no doubt encourage the Government to file patent applications on inventions which contractors elect to retain no rights because no commercial potential can be identified. This wll occur when it is perceived that the 150 million may not be fully expended.