STATEMENT
OF
PURPOSE AND NEED

The draft Bill, cosponsored by the Office of Science and Technology Policy and the Department of Commerce, is directed toward establishing for the first time a uniform Federal policy on patentable technology and other intellectual property resulting from Federally-sponsored research and development (R&D). To this end, the Bill sets forth a policy for the (1) allocation of rights to all inventions (contractor and Federal employee) which result from Federal R&D programs, (2) protection of these invention rights through domestic and foreign patenting, and (3) licensing and commercialization of the patented and related technology.

BACKGROUND

Since World War II, the Federal Government has increasingly supported the overall R&D effort of the United States, and, at least intially, the patent policies of the Federal agencies were generally fashioned without any central guidance or overall coordination.

Federal Employee Inventions

In 1950, President Truman, in an attempt to bring about consistency in the allocation of rights to inventions made by Federal employees, issued Executive Order 10096.1/ This Executive Branch directive, generally based upon the common law principles for allocating invention rights to employees not otherwise

under contract, covered most but not all Federal employees. The Executive Order recently was challenged successfully in a District Court of Illinois.2/

Contractor Inventions

With the increase in size of the Federal Government's R&D effort, the individual Federal agencies reacted differently to the problem of allocating rights to inventions. Some agencies, notably the Department of Defense, acquired a royalty-free license to resulting inventions and permitted the contractor to retain title, or what might otherwise be described as exclusive commercial rights. Other agencies conducting research of interest to the private sector, such as the Department of Health, Education, and Welfare, decided to acquire full right, title and interest to inventions developed under their R&D contracts. Finally, some agencies simply ignored the issue, which, in effect, permitted the contractor to retain all rights to inventions.

As Congress became more concerned with rights to inventions, it enacted differing legislative policies for new R&D programs. In some instances, the Congress provided guidance for the entire R&D effort of an agency, while in others, for only a specified R&D program. Generally, the Congress required the Federal Government to take title to all inventions.

As the issues developed prior to 1963, most arguments, positions, and proposed solutions supported Government-take-all

or contractor-take-all. That is, some believed that the Government should always take title to all inventions resulting from R&D contracts (normally referred to as the "title policy"), while others advocated that the Government should acquire only a license to use these inventions (normally referred to as the "license policy").

In 1963, President Kennedy issued a Statement on Government Patent Policy,3/ to bring about more uniformity in agency practices. The policy applied to the R&D programs of all Federal agencies except where it conflicted with specific statutory requirements.

The 1963 Policy Statement took the approach of identifying certain types of contracting situations where it would appear that, under an initial presumption, the public interest would best be served by Federal acquisition of title, and other contracting situations where it would appear that such rights would best be retained by the contractor. In addition, recognizing that the policy solution was based upon basic assumptions and a limited amount of factual information, the policy specified exceptions to the general rules and provided public interest safeguards where undesirable results might occur.

An unsuccessful attempt to obtain uniformity through legislative action occurred in 1965.4/ The result of Congressional hearings on the then proposed legislation was a Bill providing for a uniform Federal policy recommending substantially the

same criteria set forth in the Kennedy Statement. While the Bill was reported out of Committee, no further Congressional action was taken.

In late 1965, the Federal Council for Science and Technology (FCST) established the Committee on Government Patent Policy for the purpose of assessing how the Kennedy Statement had worked in practice, to acquire and analyze additional information that would contribute to the reaffirmation or modification of the policy, and to identify principles that would underline sound legislation in this area. The prime impetus for creating this interagency Committee was that the Executive Branch was being pressed for its position on a uniform Federal patent policy bill, and the Committee, composed of policy level officials, provided a forum for developing such a position.

To fulfill its originating functions, the Committee supporte what is perhaps the most extensive study ever conducted on the Federal patent policy issue. The results of this study, conducte by Harbridge House, Inc., of Boston, Massachusetts, are reported in a four-volume work.5/ The Harbridge House study suggested that no single across-the-board policy is in the best interest of the public; that is, neither the "title" nor the "license" policy is a proper solution.

Based upon its analysis of the results of the Harbridge House study and the operating experience under the Kennedy Statement, the Committee concluded that the criteria specified

in the 1963 Statement, with minor revisions, satisfied the policy needs identified by the Harbridge House study. Accordingly, in 1969 the Committee recommended that if legislation was to be proposed, it should follow the basic criteria of the Kennedy Statement. As an alternative, the Committee recommended that modifications be made to the Kennedy Statement directed primarily toward increasing the Federal agencies' flexibility under the policy, and providing direction to the agencies for the licensing of Federally-owned inventions. The Department of Justice did not concur in all the conclusions and recommendations made by the Committee, but it was in agreement with the reissuance of the Presidential Policy Statement. The Department of Justice believed additional studies and operating experience under a new Policy Statement should be obtained before a definite position on legislation should be taken. Accordingly, legislation was not sought at that time. Instead, President Nixon issued a revised Statement on Government Patent Policy[6/] incorporating the modifications recommended by the Committee.

LAWSUITS ON REGULATIONS IMPLEMENTING THE 1971 PRESIDENTIAL STATEMENT

Federal Property Management Regulations (FPMR)

Section 2 of the 1971 Nixon Statement directs the Adminstrator of General Services to issue regulations for the comprehensive licensing of Federally-owned inventions. In

January 1973, the Administrator issued an amendment to the Federal Property Management Regulations concerned with the licensing of Federally-owned inventions.7/

The validity of this regulation was challenged in a complaint filed in the U.S. District Court by Public Citizen, Inc., et al.8/ The prime allegation of the complaint was that the exclusive licensing of a Federally-owned patent constituted a disposal of property in violation of Article IV, Section 3, Clause 2 of the Constitution. The District Court found for the Plaintiffs and directed the Administrator to take immediate steps to void the licensing regulations. Accordingly, the Administrator suspended the licensing regulations and directed the agencies to taken no action pursuant thereto until further notice.9/

The Government appealed,10/ and on June 16, 1975 the Court of Appeals adjudged that the appellees were without standing, in consequence of which it reversed the findings of the District Court. On October 1, 1975, the Administrator reinstated the licensing regulations.11/ It is noted that the Court did not address the merits of the allegations made in the lawsuits. Accordingly, the legality of any exclusive license which a Federal agency, not having specific legislative authority, may grant under this requlation remains untested.

Federal Procurement Regulations (FPR)

Following the issuance of the 1971 Statement, regulations providing for standard patent rights clauses for use by all the Federal agencies were drafted and subsequently promulgated by the Administrator of General Services in August 1973.12/

The validity of these requlations was also challenged in a complaint filed in the United States District Court for the District of Columbia.13/ Plaintiffs alleged that whenever the Government acquired less than title in a Government contract, the Government was, in effect, disposing of property in violation of Article IV, Section 3, Clause 2 of the Constitution. In view of the lawsuit, the Administrator cancelled the regulations.

On July 24, 1974, the Court dismissed the complaint on the grounds that no plaintiffs had alleged sufficient standing to sue. The plaintiffs appealed the dismissal; however, on June 16, 1975, the Court of Appeals affirmed the judgement of the District Court.14/

The regulations were reissued in May 1975;15/ however, again, the court did not address itself to the merits of the allegations made in the complaint.

COMMISSION ON
GOVERNMENT PROCUREMENT

In November 1969, Congress established, by Public Law 91-129, the Commission on Government Procurement to study and recommend

methods "to promote the economy, efficiency and effectiveness" of procurement by the Executive Branch of the Federal Government. Industry, the trade and bar associations, individuals, members of the Executive Branch, and a full-time staff assigned to the Commission assisted in the development of the Commission Report which was rendered to the Congress on December 31, 1972.16/ The bipartisan report contains 149 recommendations, 16 of which are related to patent, data and copyright matters.

Recommendation No. 1 of Part I, Volume IV of the Report states:

> "Implement the revised Presidential Statement of Government Patent Policy promptly and uniformly."

Recommendation No. 2 states:

> "Enact legislation to make clear the authority of all agencies to issue exclusive licenses under patents held by them."

Recommendation No. 1 was partially implemented with the issuanc of the FPMR (licensing regulation) and the FPR (standard patent rights clause). However, if uniformity is to be achieved, a corollary of Recommendation No. 1 requires the repeal of all conflicting statutory provisions. Repeal of such provisions requires legislation as does the implementation of Recommendation No. 2.

During the September 23, 1975 meeting of the FCST Committee on Government Patent Policy, it was decided to prepare drafts of an Administration Bill to implement these recommendations

of the Commission's Report. In later meetings, after considering several proposals, the Committee unanimously agreed that the policy concepts of the so-called "Alternate Approach" set forth in the Commission's report should provide the basis for such legislation. Briefly, the policy concept of the Alternate Approach provides a balanced approach to the longstanding policy issue by permitting the contractor to retain invention rights subject to the usual license to the Federal Government and a requirement that third parties be licensed under resulting patents in specified public interest situations.

DRAFT BILL

A summary of the draft Bill approved by the Committee on Government Patent Policy follows:

TITLE I--FEDERAL INTELLECTUAL PROPERTY POLICY

Title I states as the primary purpose of the Act the establishment of a Federal Intellectual Property Policy based on the findings that inventions resulting from Federal research and development constitute a valuable national resource which should be appropriately protected by domestic and foreign patents and rights therein allocated in a manner which recognizes the equities of Federal employees and contractors while pursuing the mechanism most likely to promote their utilization in the national interest.

TITLE II--FUNCTIONS OF THE OFFICE OF SCIENCE AND TECHNOLOGY POLICY AND FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING AND TECHNOLOGY

Title II provides to the Federal Coordinating Council for Science, Engineering and Technology (established by Title IV, P.L. 94-282, The National Science and Technology Policy, Organization and Priorities Act of 1976) the more specific responsibilities, and the means to exercise them, of making recommendations on intellectual property matters to the Office of Science and Technology Policy for the purpose of implementing this Act and the policy objectives of P.L. 94-282. Such responsibility also includes advising on the impact of use, ownership or licensing of trademarks, copyrights, right-in-technical data and matters connected therewith on Federal programs.

In addition, Title II provides for a Board on Intellectual Property for the purpose of making determinations and hearing appeals as provided for in the Act.

TITLE III--ALLOCATION OF PROPERTY RIGHTS IN INVENTIONS RESULTING FROM FEDERALLY-SPONSORED RESEARCH AND DEVELOPMENT

Chapter 1--Inventions of Contractors

Chapter 1 of Title III provides for a single patent rights clause that normally is to be used in all Federally-funded contracts. The clause is intended to meet the competing policy objectives of

1. encouraging the participation of the most qualified and competent contractors,

2. fostering competition,

3. promoting the widespread utilization of inventions resulting from such research, and

4. reducing the burden of both the Federal agencies and their contractors in the administration of invention matters,

while maintaining the uniform principles called for by Title I, Sec. 101.(c)(4) of P.L. 94-282.

Chapter 1 also establishes procedures within which the Federal agencies may modify the single patent rights clause in situations which are deemed to be outside normal expectations or pose considerations radically different from those that arise in conventional negotiations for research and development services. Notwithstanding, the procedures are designed to assure uniformity of application through regulations, publication and post review.

Chapter 2--Inventions of Federal Employees

Chapter 2 of Title III establishes the criteria for allocation of rights between the Federal agencies and their employees in inventions made by such employees.

Chapter 2 further provides for an Incentive Awards and/or Royalty-sharing Program to be implemented at the discretion of the Federal agencies in order to monetarily reward or otherwise recognize Federal employees, stimulate inventive creativeness and encourage disclosure of inventions for purposes of enhancing utilization.

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

Title IV provides the authorities and responsibilities in the Federal agencies deemed necessary to administer effectively a program or programs for the domestic and foreign licensing of Federally-owned inventions. The inventions include those that contractors have assigned to the Federal agencies under the provisions of Title III, Chapter 1, due to disinterest or failure to pursue utilization, and those acquired from Federal employees under the criteria of Title III, Chapter 2.

TITLE V--MISCELLANEOUS

Chapter 1--Other Related Provisions

Chapter 1 of Title V sets forth the definitions for the purposes of this Act for, "Federal agency," "Federal employees," "contractor," "contract," "invention," "Subject Invention," "practical application," "person," "made," and "antitrust law."

In addition, Chapter 1 clearly removes any implication that the Act provides immunity from the antitrust laws.

Chapter 2--Amendments to Other Acts

Chapter 2 of Title V is intended to amend or repeal parts of all Acts covering similar subject matter.

Chapter 3--Effective Date Provision

Chapter 3 of Title V establishes the effective date of this Act.

CONCLUSIONS

Enactment of this Bill would resolve longstanding policy issues, answers to which Congress, the Executive Branch, Industry and the public-at-large have actively sought for approximately thirty-six years. Further the Bill is responsive to the Commission on Government Procurement recommendations, set forth in the bipartisan report to the Congress that legislation be enacted which would make uniform the Federal practices in the area of allocating the rights to contractor inventions and make clear the authority to grant exclusive licenses under Federally-owned inventions. The Bill would also codify the basic policy concepts of Executive Order 10096, the provisions of which would be uniformly applicable to all Federal employees. In addition, passage of this Bill would overcome any remaining legal questions raised by past and pending litigation.

It is anticipated that, following implementation of the Act, greater commercial use will be made of the technology and intellectual property resulting from the Federal Government's total R&D effort and this in turn will create additional employment, a higher standard of living, and an overall economic benefit to the United States and the general public.

1/ Executive Order 10096: "Providing for a Uniform Policy for the Government with Respect to Inventions Made by Government Employees and for the Administration of Such Policy," President Harry S. Truman, January 23, 1950 (3 CFR; 1949-1953 Comp., p.292); as amended by Executive Order No. 10930: "Providing for the Abolishment of the Government Patents Board and Providing for the Performance of its Functions," President John F. Kennedy, March 23, 1961 (26 F.R. 2583, March 28, 1961).

2/ Ervin Kaplan vs. Donald E. Johnson, Administrator, and John J. Corcoran, General Counsel, Veterans Administration, No. 74-C2004, United States District Court for the Northern District of Illinois, Eastern Division, February 18, 1976.

3/ Memorandum and Statement of Government Patent Policy Issued by President John F. Kennedy on October 10, 1963. (Published F.R., Vol. 28, No. 200, October 12, 1963.)

4/ S.1809. On April 23, 1965, Senator McClellan introduced in the 89th Congress, 1st Session, a Bill "To Establish a Uniform National Policy Concerning Property Rights to Inventions Made Through the Expenditure of Public Funds, and For Other Purposes." The Bill was amended and accepted by the Senate Judiciary Committee as the "Federal Inventions Act of 1966." (No vote by full Senate.)

5/ Government Patent Policy Study by Harbridge House, Inc., Boston, Massachusetts, Volumes I-IV, May 17, 1968. Superintendent of Documents, U.S. Printing Office, Washington, D. C. 20402 - Contract No. 7-35087.

6/ Memorandum and Statement on Government Patent Policy Issued by President Richard M. Nixon on August 23, 1971. (Published F.R., Vol. 66, No. 166, August 26, 1971.)

7/ Amendment A-16 to Federal Property Management Regulations Issued January 29, 1973. (F.R., Vol. 38, No. 23, February 5, 1973.)

8/ Public Citizen, Inc., et al. vs Arthur F. Sampson, GSA (Civil Action No. 781-73), United States District Court for the District of Columbia.

9/ FPMR Temp. Reg. A-10 to Federal Property Management Regulations Issued February 12, 1974. (F.R., Vol. 39, No. 34, February 19, 1974.)

10/ Arthur F. Sampson, GSA, vs Public Citizen, Inc., et al. (Civil Action No. 74-1619), United States District Court of Appeals for the District of Columbia Circuit.

11/ Amendment A-10 to Federal Property Management Regulations Issued October 1, 1975. (F.R., Vol. 40, No. 199, October 14, 1975.)

12/ Amendment 116 to Federal Procurement Regulations Issued August 29, 1973. (F.R., Vol. 38, No. 170, September 4, 1973.)

13/ Public Citizen, Inc., et al., vs Arthur F. Sampson, GSA. (Civil Action 74-303), United States District Court for the District of Columbia.

14/ Public Citizen, Inc., et al., vs Arthur F. Sampson, GSA (Civil Action No. 74-1849), United States Court of Appeals for the District of Columbia Circuit.

15/ Amendment 147 to Federal Procurement Regulations Issued May 7, 1975. (F.R., Vol. 40, No. 89, May 7, 1975.)

16/ Volumes I-IV, Report of the Commission on Government Procurement, Superintendent of Documents, U.S. Printing Office, Washington, D. C. 20402. Stock Nos. 5255-00002; 5255-00003; 5255-00004; and 5255-00006.