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UNIFORM PATENT LEGISLATION

Introduction

On 28 July 1977, HR 8596, the Uniform Federal Research and Development Utilization Act of 1977 was introduced by Representative Ray Thornton (D-Ark.) and cosponsored by a number of other Congressmen including Olin Teague, Chairman of the House Committee on Science and Technology. HR 8596 is identical to HR 6249 which was introduced on 6 April 1977 but with additional cosponsors. HR 8596 was jointly referred to the House Committee on Science and Technology (which held extensive hearings on the same issue during 1976) and the House Committee on the Judiciary. The bill has not progressed beyond that point.

There have been a number of unsuccessful efforts to establish a uniform federal patent policy in the past, beginning as early as 1883. The patent act of 1790 was the first statuatory implementation of Article I, Section 8, Clause 8, of the U.S. Constitution which is the basis of our patent system; very little has changed since 1790. In the last 15 years, the issue of how patents developed from publicly funded research should be handled has emerged in connection with a number of items of legislation. It was again raised last year during consideration of the proposed comprehensive patent bill which did not get through Congress.

The Thornton Bill

As the title suggests, the purpose of Congressman Thornton's bill is to codify the practices of all federal agencies regarding patents. (At the present time there are more than 20 different statuatory and administrative policies and procedures covering allocation of contractor and grantee inventions.) However, the Thornton bill would go far beyond the mere establishment of a single patent policy. Indeed, essential provisions of the bill are intended to correct current practices and procedures which result in the government retaining patents and thus inhibiting the development of discoveries. The bill would permit government grantees and contractors the title to patents on processes or products discovered during publicly funded research. The expectation is that hereafter such inventions would be developed rather than sit undeveloped but owned by the

government as Congressman Thornton and many others contend is frequently the case. HR 8596 does include some circumstances under which the above would not hold true, but generally the thrust of the bill is to give title to the discoverer.

Arguments for HR 8596

1. The current practice of requiring the government to retain the patents on all processes and products discovered during federally funded research inhibits the development of these processes and products to the detriment of the nation.

2. It is estimated that there are currently more than 28,000 patents which the government has title to and which are not being developed. This situation is certainly not beneficial to the public or the government. No one benefits from government possession of these patents. The number of patents on the shelf increases each year.

3. The commercial development of a patent depends upon an individual or a group being able to attract investments or to invest their own assets to exploit or to commercialize the process or product. This is normally only accomplished if that person or group can exclude competitors from manufacturing the item for the life of the patent. Unless individuals are given patent title to their discoveries they will not spend the money to develop and promote the product or process. As has been said, a patent gives protection from those who would pick the fruits without having to plant and cultivate the tree.

4. Private employers must acquire patent rights to the discoveries of their employees in order to perpetuate their business. The federal government has no such need.

5. Patentable products or processes are the coincidental byproducts of research sponsored by agencies of the federal government. The government is paying for research services and is receiving them. Therefore, it has been argued that since they have not paid for any inventions, all discoveries should belong to the discoverer.

6. If ERDA, NASA and other federal agencies are at the present time granting waivers of property rights of the government to inventions made under grants and contracts from these agencies in order to encourage their development into commercially useful products, why should this practice not be expanded to all government agencies and made uniform by this legislation? If this is the current accepted practice, if government agencies are already "giving away" patents and if, as some have testified, this program is resulting in the successful development of many more patents, what is the basis for the criticism directed at this bill?

7. Why couldn't the government invest in the development of the patents it has title to as is the practice in England and Canada? The response usually given to this question is that great opposition exists to commercial activity by the government or representatives of the government.

8. The responsibility of the government is to assure that all inventions discovered during publicly funded research be developed and utilized for the benefit of the nation.

Opposition to HR 8596

Senator Gaylord Nelson (D-Wis.), Chairman of the Subcommittee on Monopoly and Anticompetitive Activities of the Senate Select Committee on Small Business (of which he is also chairman), has recently embarked on hearings into the disposition of the results of publicly financed research. The first round of these hearings was held on December 19, 1977 and it has been suggested that they could go on for the next two years. As Senator Nelson points out in his opening statement, these hearings are actually a resumption of those held by this same subcommittee on this same subject in 1959, 1962 and 1963 when Senator Russell Long was Chairman of the Subcommittee. These current hearings would seem to be duplicative of the extended ones that were held by Senator Long as well as the extended hearings held by the Subcommittee on Science, Research and Technology of the House Committee on Science and Technology chaired by Congressman Thornton. It would appear that Senator Nelson's tactic is to delay the House-introduced legislation through these hearings or perhaps to introduce legislation in the Senate which would require that all discoveries made during publicly funded research become property of the government, which of course is the opposite of HR 8596. Senator Nelson seems quite opposed to allowing grantees and contractors to retain patent rights on processes and products discovered during federally funded research.

Arguments for the Nelson Position

1. As stated by Senator Nelson and others including Senator Russell Long, the basic premise of the Nelson position is that patentable discoveries made during federally funded research should belong to those who pay to have them created. Taxpayers should not have to pay for inventions discovered during research which tax money supported. This is more especially true if an individual or company will substantially benefit from this patent at further expense to the public.

2. The granting of full title to patents resulting from publicly financed research to private contractors is contrary to the free enterprise and competitive system. The result of

such a statute would favor a particular contractor over his competitors. This is the use of taxpayers money to impare the free enterprise system.

3. Private companies who perform government funded research acquire the benefit of what is called "unpatented know-how." Possession of such know-how already gives a considerable advantage to the contractor over his competitors. This advantage would be compounded if he were provided full title to resulting patents.

4. In response to the argument that government ownership of patents inhibits the development of those patents, Senator Long claims that there is no supporting evidence for this position. In addition he quotes a question put to former NASA administrator James Webb as follows: "Can you give this subcommittee any figures, studies, or facts of any kind which can reasonably support your statement? We would like to have them." Senator Long states that Mr. Webb was not able to do so at that time nor any time thereafter.

5. The Justice Department opposes HR 8596 and has advised Congressman Pater Rodino of their objections. Included in their argument against the Thornton bill is the following: "Such rights may be in the nature of a windfall, at public expense, to a contractor..."

6. All processes and products resulting from research funded by the federal government should become the property of the federal government. Otherwise, the taxpayers support research during which discoveries are made, and then taxpayers must pay again for the purchase of these products or processes if individuals are allowed title to the patents. Nearly two-thirds of federal research and development funds are now awarded to private industry; if HR 8596 is passed, these companies will have title to patents resulting from research that they did not fund.

Senator Nelson says: "The government ends up not only playing Santa Claus all year round... It also plays the Tooth Fairy, the Candy Man and Guardian Angel to these giant corporations.

"The American taxpayers are dealt a one-two punch. First they are forced to pay through the nose for this risk-free, tax supported research and development. They then pay dearly all over again, for the grossly inflated prices these companies charge for the products they market under the patent rights given to them by the government."

7. Senator Nelson's position is given support by Attorney General William Rogers' recommendations to President Eisenhower:

"The public interest will best be served by opening government-owned inventions to general public use, without discrimination or favoritism among users.

"While opinions vary, the weight of experience is that government-owned technology can, for the most part, be exploited to a satisfactory extent under a system of nonexclusive licensing or public dedication. In the occasional situation where commercial use and exploitation of worthwhile inventions is discouraged by the need for substantial investment in promotion, developmental and experimental work, with the attendant risk of loss, the government should finance such operations, in whole or in part, to demonstrate or prove the commercial value of the invention. This method of encouraging the use of the invention is preferable to the grant of an exclusive license.

"As a basic policy, all government-owned inventions should be made fully, freely and unconditionally available to the public without charge, by public dedication or by royalty-free, nonexclusive licensing."

General Questions

1. Does the higher education community wish to identify itself with industry on this issue, or do we want a special provision for colleges and universities? Is the industry-government relationship different from the university-government relationship?

2. Is there another, more desirable approach to the handling of discoveries made during federally funded research that is a compromise between the Thornton and the Nelson-Long positions? Should the government not retain some rights? Should the government share with the inventor in the profits? Is there not some means through which the government might recoup some of its investment while still providing incentive for the development of resulting patents?

3. If NASA and ERDA and other government agencies are currently granting waivers of government rights to discoveries, where are the surplus 28,000 patents coming from? (Perhaps they are not commercially viable discoveries. Perhaps a survey of the shelved patents would be useful.)

4. It appears that HR 8596 has some chance of being approved by the House; however, it is not likely to survive opposition in the Senate. In the same way, the Nelson-Long position, if it were to be drafted into a Senate bill, would appear to have a good chance of passage in that chamber but not the House. If the above is correct, then what strategy should the higher education community adopt regarding patent legislation?