small business. Good progress also is being made in other Army and Navy installations.

Other witnesses testified as to the importance of granting Government contracts to small business, but there was little discussion of the research and development aspect.

b. Action taken, House of Representatives—H.R. 7963

After the hearings, a clean bill (H.R. 7963) was introduced and reported favorably (H. Rept. No. 555), June 13, 1957. Its provisions are discussed supra, page 138.

H.R. 7963 was debated in the House on June 25, 1957 (Congressional Record, pp. 10205–10245), and passed by a large majority (p. 10245). Mr. Thompson of New Jersey (p. 10225) expressed the hope that H.R. 7963 would really take care of granting a fair proportion of all types of Government contracts to small business, and would not continue to be "just a pious hope and expression."

c. Hearings, Senate

The Senate Committee on Banking and Currency held hearings on the credit needs of small business. Part 1 of these hearings were held during the 1st session of the 85th Congress and did not deal, to any great extent, with the problem of encouraging research and development by small business. Part 2, however, held May 23, 1958, included considerable testimony on this aspect as a device for aiding small enterprises to remain in business. Senator Fulbright's bill, S. 2993, was discussed in this connection.

(1) *Senator Fulbright* (pp. 558–559) asked that his statement explaining S. 2993 be printed in the hearings. It reads as follows:

> The growth and progress of industry and commerce in the United States has been, to a very considerable extent, the result of research and development. Research in the fields of electronics, chemistry, physics and other sciences has yielded principles which have been further developed and applied to reveal the new world we see around us. The patent system, the land-grant colleges and universities, the Smithsonian Institution, the National Bureau of Standards, the Naval Research Institute, and the National Science Foundation indicate the importance which the Federal Government has always placed upon the increase and diffusion of knowledge among men and the application of this knowledge to useful arts and sciences for benefit of the Nation at large.
>
> Basic and applied research and the development of useful applications of the principles which are discovered are going on at a remarkably high rate today. We can expect that the current research and development work will result in even greater changes in the world of tomorrow.
>
> According to a survey made by the Bureau of Labor Statistics for the National Science Foundation, on the research and development work performed in 1953, the total of this research and development work amounted to more than

$5 billion during that year. Of this, programs financed by industry amounted to about $2.3 billion, and programs carried on or financed by the Federal Government amounted to almost $2 billion.

In its sixth report on Federal funds for science, the National Science Foundation estimated that the Federal research and development budget for fiscal 1958 would involve expenditures of $3.3 billion, and Business Week of September 21, 1957, estimated the total spending on research in 1957 at $10 billion.

Much of this research and development work will produce commercially valuable products and processes, which will benefit those concerns able to produce and sell them. Unfortunately for the free competitive enterprise system and in the long run for the national economy, a disproportionate share of the research and development is being done by large concerns, while the small concerns are able to do proportionately little research and development work. The National Science Foundation report on science and engineering in American industry in 1953 shows that only 8.3 percent of manufacturing companies with 8 to 99 employees engage in research and development and only 22.4 percent of manufacturing companies with 100 to 499 employees do so, while 94.3 percent of concerns with 5,000 or more employees carry on research and development. The same report shows that manufacturing concerns with less than 500 employees, which have about 35 percent of manufacturing employment, employ only 20 percent of the total scientists and engineers and account for only about 11 percent of the amount spent on research and development. Concerns with 5,000 or more employees, however, which have about 40 percent of manufacturing employment, employ more than 60 percent of the scientists and engineers and account for almost 75 percent of the research and development expenditures by industry.

The vast amounts spent by the Federal Government on research and development also go overwhelmingly to large firms. The Defense Department, which in 1956 accounted for $1.9 billion of the total Federal expenditure of $2.7 billion, reported only about 6 percent of its research and development contracts were with small-business firms in fiscal 1956. The Atomic Energy Commission, which had the next largest research and development program, awarded only 1 percent of its research and development contracts to small business in fiscal 1953, 1954, and 1955.

The advantages to a concern performing this Government research are considerable. In addition to the assured profit on the contract itself, the concern will receive the inside track on substantial procurement contracts which may result from the research. It will also have advance knowledge and probably extra information about new commercial products which may be developed from the research. It will have built up a staff of scientific personnel familiar with the research and be in the best position to develop commercial applications. And in many cases it will be able to obtain

patents, subject, in the case of research for the Department of Defense, only to a license to the Government, leaving commercial exploitation up to the concern. Under these conditions small business concerns must necessarily fall rapidly behind in the competitive race for new products and new processes.

In my judgment, three things can be done which will help to keep small business in the race and will thereby strengthen the free competitive enterprise system and the national economy.

In the first place, every effort should be made to see that small business concerns have a chance to obtain Government research and development contracts. I realize that this cannot be done in every case. In some instances only the large concern can do the research or may be interested in doing the research. Nevertheless, I believe that a vigorous effort should be made to award as many research and development contracts to small businesses as possible. This will be of direct benefit to the small-business concerns and to the economy as a whole.

In the second place, every effort should be made to make available to small business concerns the benefits and results of all of the research and development work done by the Government or at Government expense. If the Government pays for research and pays a price which will yield the concern doing the research a profit, it would seem difficult to justify adding to that profit the right to all the commercial benefits of an invention derived from that research, paid for by the taxpayers, including small business concerns.

In the third place, I believe that arrangements should be made to enable small business concerns to get together to carry on research and development programs, with an exemption from the antitrust laws and the Federal Trade Commission Act. Research and development projects are often extremely expensive and the results do not always pay off at once in measurable profits. A single small business concern may not have the financial resources to carry on over a period the kind of research and development work which would give it an equal opportunity to compete in a new fast-developing market with its giant competitor. However, a group of small business concerns might each be able to devote a fraction of the cost of the research and development contracts and produce something which would benefit not only the small business concerns involved but also the consuming public and the national economy.

This would not be inconsistent with the basic purposes of the antitrust laws and Federal Trade Commission Act. Rather, by increasing the opportunity of small business concerns, it would promote and strengthen the free competitive enterprise system and the national economy as well.

In order to carry out these objectives, I have prepared a bill which will give to the Small Business Administration the duty and authority to pursue these three objectives in the interest of small businesses. Other Government agencies

which have activities in this field will be called upon to cooperate with the Small Business Administration in pursuing these objectives.

This bill will not eliminate the need for other relief for small business concerns, such as tax revisions and measures to provide access to credit. It will, however, serve to reduce substantially one of the handicaps under which small businesses now suffer, and to place them in a more nearly equal position with big businesses in the competitive race for the future. In my judgment, this will be a substantial benefit to the economy of the Nation.

2. *Wendell B. Barnes*, Administrator, Small Business Administration (pp. 560–600), made the following comments on S. 2993.

S. 2993 empowers and directs the Small Business Administration to assist small business concerns in obtaining Government contracts for research and development and in obtaining the benefits of research and development performed by larger firms under Government contracts or at Government expense. Although the Administration is already authorized to provide such assistance, I should welcome the addition to the act of any language which will emphasize the congressional intent in this matter. Such language would serve as a timely declaration that small business must be established as an integral part of the missile program.

The research and development about to be undertaken in that area promises to have widespread effects on our economy. It should generate new processes, new products, and, perhaps, new industries. I should like to see a strong pronouncement from the Congress that, insofar as practicable, small business concerns must be given the invaluable experience that comes from active participation in such work; that, to the extent that they are excluded therefrom, they must be permitted to share in the knowledge acquired by others at the expense of the Government.

In commenting on the contracts awarded during fiscal year 1957, Mr. Barnes said:

Available statistics indicate that in fiscal year 1957, small business firms received only 4.3 percent of the value of military research and development contracts. This low percentage of small-business awards indicates that the scientific knowledge and engineering capacity of small firms are not being utilized to the fullest desirable extent by the Government.

In research and development procurements, Federal agencies seek participation by the best qualified firms, educational institutions, nonprofit organizations, or individuals in order to receive the finest products or studies. The policy places a premium on experience and on superiority of facilities.

The SBA field offices counsel and guide small firms and individuals interested in research and development work, and direct them to the appropriate procurement officials.

> The offices also develop additional small-business sources for research and development projects when notified by the agency's representatives at procurement centers that greater small business competition is needed.
>
> The percentage of research and development contracts awarded to small business firms possibly could be increased by use of the joint set-aside program. Accordingly, the agency has instructed its representative at procurement centers to initiate joint set-asides on research and development projects when two or more small business firms have qualified as prospective contractors. This action will give Government procurement officials every opportunity to cooperate in increasing the share of research and development contracts being awarded to small business concerns. To illustrate effective use of the joint set-aside program in this area, of all research and development procurements screened at the Quartermaster Research and Engineering Command at Natick, Mass., during the 6-month period ending December 1957, almost 50 percent of the dollar value was set aside for small business.

Senator Fulbright had received letters from a number of organizations, telling of the importance of increasing the share of military business awarded to small research and development organizations. Some of these included:

(3) *Robert C. Ruhl*, business manager, Miller Research Laboratories, Baltimore, Md., who had the following to report on weapons contracts:

> As weapons have become larger and more complex, it is well known that the weapons business has become a highly concentrated one, with considerable resulting loss of business not only to small companies but medium to large as well.
>
> Speaking for small business, the things which we offer in the research and development field are quick delivery, expertness, low cost, and the flexibility to produce under conditions of change and revision. In a freely competitive situation, the small research and development organization needs no prop or protection.
>
> There are many small weapons and subassemblies of large weapons which small business can most efficiently design and produce. I believe that the most important single factor preventing wider use of small and medium companies is the weapons-system concept.
>
> The weapon-system concept is most widely applied by the Air Force, almost as widely by the Navy and to a considerably lesser extent by the Army.
>
> The weapon-system concept is dictated to a considerable extent by technological necessity. That is, up to a point, large weapons require large contractors. Much equipment, however, is included in the weapon system as a matter of military policy and not of technological necessity.
>
> It has been jokingly said that the weapon-system concept has been carried to the point where the military services would like the missile prime contractor to furnish clothing

lockers for the launching crew personnel. Items of equipment normally included in the weapon-system concept now include the following:

1. Testing equipment of various kinds.
2. Personnel training devices.
3. Ground handling equipment.
4. Firefighting equipment.
5. Shipping and storage containers.

All of these items and others can be and should be developed and manufactured by small organizations specializing in them.

One problem in the weapon-system concept, to which the military admits, is that inclusion of auxiliary and supporting equipment in the weapon system defeats the important objective of standardization. Each prime contractor develops his own equipment. This results in duplication in cost during development, and duplication of supporting equipment in the field.

Thus, it is my conviction that elimination of the extremes presently practiced in the weapon-system contracting method would on the one hand, save money, manpower, and equipment; and on the other hand, make a considerable portion of large weapon work once more available to small business.

It has been our experience that the Small Business Administration and small-business specialists of the military services have been completely ineffective in the research and development field—effective though they may be in manufacturing work. In some 200 to 300 requests for bid which I have reviewed in the past 5 years only 1 research and development project was set aside for small business. The schedule and money involved made it impracticable as a small-business project.

(4) *James T. Duffy, Jr.*, Kellett Aircraft, Willow Grove, Pa., reported the following:

We have been struggling for the past 6 months to keep intact a very capable research and development plant with a sizable engineering department. The total number of men in our organization is approximately 150.

Since large business is taking over the entire systems concept of projects for the Government it makes it even harder for small business to participate in these programs.

(5) *E. F. Pain*, vice president, sales and engineering, Aero Supply Manufacturing Co., Inc., Corry, Pa., described his problem as follows:

I have been reading with considerable interest of your introduction of bill S. 2993 designed to amend the Small Business Act of 1953 to permit participation of small businesses in programs of research and development.

Of particular interest is the provision to assist small-business concerns in obtaining the benefits of research and development performed under Government contracts or at Government expense. As a small-business organization now

serving the aircraft industry, as we have since 1916, we have been all too well aware of the exceedingly difficult situation which is imposed on small business, and possibly others, relative to inability to obtain basic information under the guise of security restrictions.

I cite as an example the situation with which I am best aware; namely, the difficulties this organization encounters in obtaining classified reports which would be of great benefit in the pursuit of our endeavors. The Armed Services Technical Information Agency, better known throughout the trade as ASTIA, operates under procedures prohibiting the distribution of classified reports to organizations who do not possess that very elusive requirement known as need to know. Normally need to know can be established by possession of a classified contract. However, it is difficult to obtain a classified contract without certain basic information which is maintained under close security surveillance. This obviously is akin to the well-known dog chasing his tail.

We have been a cleared facility security-wise for a number of years. However, we have not had a development contract for the past several years and during that period have been unable to obtain the basic information which we feel would assist us in obtaining such contracts in the future.

I take the liberty of directing your attention to the above situation as being one which I believe is typical of the thoughtless discriminatory action against the smaller fellows. I do hope the passage of your bill will permit this situation to be corrected.

The Committee on Banking and Currency amended H.R. 7963 by adding a new section 9. Subsection (a) of the new section 9 contained an introductory provision reciting the importance of research in today's economy, the difficulties posed for small business in this area, and a declaration of congressional policy to aid small business in these respects in order to strengthen and protect our competitive free enterprise system. Subsection (b) empowered the Administration to aid small business to obtain Government research and development contracts and the benefits of Government-financed research and development. Subsection (c) authorized it to cooperate with other Government agencies in achieving these purposes. Subsection (d) authorized it to work out with small business concerns joint research and development programs, approve agreements providing for such programs (after consultation with the Attorney General and Federal Trade Commission) where he finds they will "maintain and strengthen the free enterprise system and the economy of the Nation," and provided that acts pursuant to such agreements should not be deemed in violation of the antitrust laws or the Federal Trade Commission Act.

d. Action taken, Senate—H.R. 7963

H.R. 7963 was debated in the Senate on July 1, 1958. Mr. Javits sponsored an amendment which would make even more specific the exact activities in which small business might engage in the field of research and development. It (1) empowered the Small Business Administration to give small-business concerns technical assistance in

research and development activities and (2) specified the purposes for which joint programs for research and development might be developed, these latter being as follows:

> To construct, acquire, or establish laboratories and other facilities for the conduct of research;
>
> To undertake and utilize applied research;
>
> To collect research information related to a particular industry and disseminate it to participating members;
>
> To conduct applied research on a protected, proprietary, and contractual basis with member or nonmember firms, Government agencies, and others;
>
> To prosecute applications for patents and render patent services for participating members; and
>
> To negotiate and grant licenses under patents held under the joint program, and to establish corporations designed to exploit particular patents obtained by it.

Mr. Javits explained the basis for his amendment as follows:

> Mr. President, this is one of the great areas in which small business is at a disadvantage as compared to big business. Big business is going to spend about $8 billion on research and development in the current fiscal year. Interestingly enough, such expenditures are going up 10 percent, while expenditures for plant and equipment have gone down about 30 percent.
>
> Partly by reason of what is stated in the bill and partly from the authority of the Small Business Administration, the cooperative activities can be conducted with complete protection against a violation of the antitrust laws, which is covered by the bill itself, and small business can obtain some of the advantages from research and development which are now obtainable only by large aggregations of capital.

Opposition to Mr. Javits' amendment was expressed by Senator Capehart on two grounds, i.e., that the Small Business Administration already had the authority necessary to lend money to support such programs and that it was undesirable to spell out the authorized activities in this way. He felt the program would not work, that it represented a step toward Government in business and Federal incorporation, and that it trespassed upon rights reserved to the States. He said:

> I do not understand how this would mean anything to a small businessman. What small businessman will join with a half dozen other small businessmen to engage in a program of research? I want the Record to show that this proposal will not work. I tried it once myself, and I know what I am talking about. The only thing I see wrong with it is that we are endeavoring by legislation to provide for a sort of charter which corporations must use in connection with their bylaws in order to do these things, which they have a right to do now. I do not like to set up criteria, or at least I do not like to see the Federal Government set up criteria even by printing that sort of thing in a bill. Corporations have the authority to do these things under the State charters they have received.

> I think it is bad practice. In my opinion it is the beginning, possibly, of the wedge of the Federal Government getting into private business and of the Federal Government chartering corporations in the United States. Otherwise, it is a harmless little matter. Probably it will not do any harm or any good.

Mr. Javits' amendment was agreed to. The Senate passed H.R. 7963, as amended, the same day (July 1, 1958).

c. House Conference Report No. 2135

The conference report on H.R. 7963 was submitted on July 9, 1958. Amendment No. 31 was concerned with the provision relating to research and development, and was explained in conference as follows:

> This amendment added to the House bill a new section (sec. 9) establishing a program of assistance to small-business concerns in the field of research and development. Under this program SBA would assist small-business concerns in obtaining Government contracts for research and development and in obtaining the benefits of research and development performed by larger firms under Government contracts or at Government expense. Groups of small-business concerns would also be encouraged to join together for research and development work, with technical and other assistance being provided by SBA, and would be authorized to undertake such joint research and development programs without violating the antitrust laws or the Federal Trade Commission Act. The House recedes.

Both Houses approved the conference report, and the bill became Public Law 536 on July 18, 1958.

3. PUBLIC LAW 536 (85TH CONG.), JULY 18, 1958

Public Law 536 amended the Small Business Act of 1953, making various changes in the interest of promoting a more vigorous and efficient program of assistance to small business. The principal changes were (1) to make the Small Business Administration a permanent agency, (2) to increase the authorization for loans to small business to $350,000 maximum outstanding at any one time to a single firm, (3) to provide for a more equitable share of Government procurement for small business by requiring a new definition of small business for procurement purposes, (4) to reduce the interest rate on direct SBA business loans and on SBA's share of such loans made in participation with private lenders and to eliminate the ceiling on the interest rate on the private lender's share, and (5) to provide the section 9 provisions heretofore discussed, relating to research and development.

Section 9, as finally accepted, provided:

> SEC. 9. (a) Research and development are major factors in the growth and progress of industry and the national economy. The expense of carrying on research and development programs is beyond the means of many small-business concerns, and such concerns are handicapped in

obtaining the benefits of research and development programs conducted at Government expense. These small-business concerns are thereby placed at a competitive disadvantage. This weakens the competitive free-enterprise system and prevents the orderly development of the national economy. It is the policy of the Congress that assistance be given to small-business concerns to enable them to undertake and to obtain the benefits of research and development in order to maintain and strengthen the competitive free-enterprise system and the national economy.

(b) It shall be the duty of the Administration, and it is hereby empowered—

(1) to assist small-business concerns to obtain Government contracts for research and development;

(2) to assist small-business concerns to obtain the benefits of research and development performed under Government contracts or at Government expense; and

(3) to provide technical assistance to small-business concerns to accomplish the purposes of this section.

(c) The Administration is authorized to consult and cooperate with all Government agencies and to make studies and recommendations to such agencies, and such agencies are authorized and directed to cooperate with the Administration in order to carry out and to accomplish the purposes of this section.

(d) (1) The Administrator is authorized to consult with representatives of small-business concerns with a view to assisting and encouraging such firms to undertake joint programs for research and development carried out through such corporate or other mechanism as may be most appropriate for the purpose. Such joint programs may, among other things, include the following purposes:

(A) to construct, acquire, or establish laboratories and other facilities for the conduct of research;

(B) to undertake and utilize applied research;

(C) to collect research information related to a particular industry and disseminate it to participating members;

(D) to conduct applied research on a protected, proprietary, and contractual basis with member or nonmember firms, Government agencies, and others;

(E) to prosecute applications for patents and render patent services for participating members; and

(F) to negotiate and grant licenses under patents held under the joint program and to establish corporations designed to exploit particular patents obtained by it.

(2) The Administrator may, after consultation with the Attorney General and the Chairman of the Federal Trade Commission, and with the prior written approval of the Attorney General, approve any agreement between small-business firms providing for a joint program of research and development, if the Administrator finds that the joint program proposed will maintain and strengthen the free enterprise system and the economy of the Nation. The Admin-

44515—60——11

istrator or the Attorney General may at any time withdraw his approval of the agreement and the joint program of research and development covered thereby, if he finds that the agreement or the joint program carried on under it is no longer in the best interests of the competitive free enterprise system and the economy of the Nation. A copy of the statement of any such finding and approval intended to be within the coverage of this subsection, and a copy of any modification or withdrawal of approval, shall be published in the Federal Register. The authority conferred by this subsection on the Administrator shall not be delegated by him.

(3) No act or omission to act pursuant to and within the scope of any joint program for research and development, under an agreement approved by the Administrator under this subsection, shall be construed to be within the prohibitions of the antitrust laws or the Federal Trade Commission Act. Upon publication in the Federal Register of the notice of withdrawal of his approval of the agreement granted under this subsection, either by the Administrator or by the Attorney General, the provisions of this subsection shall not apply to any subsequent act or omission to act by reason of such agreement or approval.

PART 3. PATENT EXTENSIONS

I. HISTORICAL BACKGROUND

In the early days of this country, a considerable number of patents were extended both by special act of Congress and, for a time, by the Patent Office. Between 1809 and 1887, 37 special acts were enacted by Congress, extending the patents of various individuals. Since 1887, only one patent has been similarly extended, to wit, the "Ronson lighter" patent which was extended in 1944 under some unusual circumstances, discussed infra. A table listing these 38 special acts is set forth in appendix C.

Prior to the act of 1836, the power to extend patents was lodged in Congress. At that time, the term of the patent was 14 years and no more. In 1836, jurisdiction over the renewal as well as the first issue of letters patent was conferred upon the Patent Office, subject to numerous restrictions as to the grounds of renewal and the duration of the extended term. The term of 14 years was retained in the act of 1836, but the provision for the extension was 7 years.

By the act of March 2, 1861,[111] this jurisdiction over extensions was withdrawn as to all patents granted after the passage of that act, and Congress thereby became the only source from which an increase of the monopoly created by future patents could be obtained. At the same time, however, the act of 1861 extended the term of patents to 17 years.

This act had its origin in Senate bill No. 10. It repealed section 5 of the act of 1836, which had fixed the term of a patent at 14 years, and section 18 of the same act, which had provided for an extension of the original term for a period of 7 years. This bill, in the form in which it passed the Senate, contained no provision for either extending the term of a patent or for repealing or modifying section 18 of the act of 1836. The House, however, amended the bill by adding a section which read as follows:

> * * * there shall be no further extension of any patent when it shall appear to the Commissioner that the profits of said patent, including sales made by the assignee or assignees of said invention, shall amount to one hundred thousand dollars.

The Senate disagreed with the House provision as to assignees, on the ground that the assignees might be unable or unwilling to give an accounting, and that the inventor could not compel them to do so. The bill then went to a conference committee. Up to this time it had not contained any provision either to change the duration of patents or to repeal the law providing for their extension. The conference committee struck out the entire section, and substituted the short one, which stands as section 16 of the act, reading as follows:

> That all patents hereafter granted shall remain in force for the term of seventeen years from the date of issue; and all extension of such patents is hereby prohibited.

[111] 12 Stat. 246 (1861).

Since the act of 1861, there have been numerous attempts to grant extensions of patents, both through general legislation and through legislation on specific cases. The basis for this has been well stated by Robinson who, in his treatise on the law of patents, concludes:[112]

> From the earliest history of patent law the fact has been recognized that through various causes an inventor may fail to obtain an adequate recompense for his inventive skill during the original term of his patent, and that justice to him and a due regard to the public interest may thus sometimes require an extension of his monopoly in the invention.

In the 57th Congress (1902), the first attempt to allow for an extension through general legislation, was made with the introduction of four bills. These were:

S. 6313 and S. 6314, June 30, 1902 (Mr. Bate) and H.R. 15332 and H.R. 15333, July 1, 1902 (Mr. Moon).

S. 6313 and H.R. 15332 provided that a patentee might apply, not less than 90 days nor more than 9 months prior to expiration, for an extension of his patent, setting forth the reasons therefor and his receipts and expenditures on account thereof. The Commissioner would then publish the application in the Official Gazette, obtain a preliminary report from the principal examiner of the class involved, and then refer the matter to the Court of Claims to determine whether the patentee—

> without neglect or fault on his part, has failed to obtain from the use and sale of his invention or discovery a reasonable remuneration for the time, ingenuity, and expense bestowed upon it and the introduction of it into use, and that it is just and proper, having due regard to the public interest, that the term of the patent should be extended.

The court would then order the extension, for a term not to exceed 17 years.

S. 6314 and H.R. 15333 contained similar provisions, except that the proceedings would be before the Commissioner and the extension made by him.

Mr. Joseph Edson,[113] in a treatise on patent extension, argued for the passage of legislation to allow the Patent Office to grant patent extensions. He said:

> The unreasonableness of expecting a committee, whose membership is subject to such large and frequent changes from one Congress to another, to take up and consider several hundred applications for extensions each year, the proper disposition of which, in justice to the public, as well as to the applicants, would require special knowledge of a difficult branch of the law and a technical knowledge in nearly every art, is so apparent that it has only to be stated to secure a prompt admission.

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[112] William C. Robinson. The Law of Patents for Useful Inventions, vol. II, p. 642 (1890).
[113] Joseph R. Edson. "Extension of Letters Patent," S. Doc. 6, 59th Cong., special sess. (1907).

By way of example, Mr. Edson wrote:

> At a recent hearing of a private bill before the Senate committee for the extension of a patent which was about to expire, leaving the inventor without any reward for his invention, in the development of which he had spent nearly 30 of the best years of his life and had expended all he was worth when he began, all he had made during the said 30 years, and all that he had been able to borrow from friends and business acquaintenances who had confidence in him personally and in his genius as an inventor, and had nevertheless not been able to place his improvement upon the market, although he now had the promise of capital to do so in view of the recent demonstrations of the practical utility of his improvement, a member of the committee said to the writer: "Do you know of any objection to favorable action on your client's case other than that it would make a precedent upon which to claim favorable action on other applications?"
>
> On another occasion while pressing for favorable action of the House Committee on Patents on a private bill for the relief of a client, Samuel H. Jenkins, who had impoverished himself in efforts to induce capitalists to promote his patent (a bill which like all such bills filed within the last 15 years failed to receive favorable consideration), and having frequently expressed my surprise at not receiving notice of favorable action, a member of the committee finally said to me: "Mr. Edson, you have a good case and your client is justly entitled to have his bill favorably considered, but the fact of the matter is there are plenty of other cases just as meritorious as yours, and if we should act favorably upon your case it would be a precedent for others to follow, and we would soon have more applications then we could possibly consider." I mention these incidents merely to show that the adverse action of the committees of Congress on applications for extensions is not due to their hostility either toward inventors or to a revival of one of the salient features of the American patent system; namely, extensions of patents in proper cases, but is due to the well-grounded belief that if they encourage applications for extensions by making favorable reports on private bills, it would in a very short time be a physical impossibility to hear the number of applications that would be made. I became fully satisfied by my experience that the obstacle to obtaining extension of patents was in the mode of procedure—private bills—and not in the relief sought, and that therefore some general law should be passed which would give some court, board, or commission jurisdiction of the hearing and determination of applications for extensions, and I accordingly prepared and secured the introduction of the two bills as heretofore stated.

Despite the efforts to enact this legislation, these bills were given no further consideration by the Congress, and the act of 1861 remained the law.

II. GENERAL EXTENSIONS NOT INVOLVING WAR CONDITIONS

A. PROPOSALS DURING THE 1930's

There have been almost no proposals in recent times for a general extension of patents, apart from those resulting from war conditions. Two exceptions to this rule are as follows:

1. S. 1591, May 1, 1933 (Mr. Copeland)—73d Congress, provided:

> That any letters patent which were unexpired on March 4, 1933, and have not subsequently expired, are hereby extended for a term of five years after the date now fixed by law for their expiration;
>
> Any letters patent which have expired subsequent to March 4, 1933, are hereby renewed and extended for a term of five years after the date of their expiration.

2. S. 2775, May 7, 1935 (Mr. Johnson)—74th Congress, provided:

> That all letters patent granted for any process of fermentation are hereby renewed and extended for a period of time equal to that part of the term of such patent that fell within the period the eighteenth amendment to the Constitution was in effect.

III. GENERAL EXTENSIONS UNDER WAR CONDITIONS

A. WORLD WAR I

1. H.R. 13043, JUNE 24, 1926 (MR. VESTAL)—69TH CONGRESS

H.R. 13043 provided for extension of the patents of veterans covering inventions patented prior to November 11, 1918, and who had suffered a loss of income therefrom because of military service. This bill passed the House and Senate, was signed by the President, but not by the Vice President (at that time, the signature of the Vice President was necessary for the bill to be enacted).

2. PUBLIC LAW 623 (70TH CONG.), MAY 31, 1928

a. H.R. 10435, February 2, 1928 (Mr. Vestal)

H.R. 10435 permitted the extension of a patent issued to a veteran prior to November 11, 1918, and who suffered a loss of income because of his term in service.

The bill read, in part, as follows:

> *Be it enacted* * * * That any person who served honorably in the military or naval forces of the United States at any time between April 6, 1917, and November 11, 1918, both dates inclusive, and was subsequently honorably discharged, may within six months after the enactment of this act, upon payment of a fee of $20, make application to the Commissioner of Patents, comprising a verified statement, accompanied by supporting evidence of the following facts:
>
> (A) That he is the inventor * * * of an invention * * * for which a patent was granted prior to November 11, 1918,

the original term of which remains unexpired at the time of filing * * *.

* * * * *

(F) The period of extension * * * shall in no case exceed a further term of three times the length of his said service in the military or naval forces * * *.

b. Hearings and significant testimony

Hearings were held before the House Committee on Patents on March 23 and April 13, 1928, on H.R. 10435.

Testifying in favor of the legislation were representatives from the American Legion and the Disabled Veterans.

(1) *Col. John Thomas Taylor*, National Legislative Committee, American Legion (pp. 2–7), explained his reasons for favoring the bill as follows:

> This bill won't cost the U.S. Government a single penny. We contend that when this Government granted a patent to these men, the Government entered into a quasi contract with them for a period of 17 years. Then along came the war and there was a bigger contract, a much bigger contract, and the Government reached over and just took these men and put them in the service. The second contract that the Government entered into with the men, the contract for them to perform military service, interfered with this first contract to such an extent that they were not able to develop the possibility of making some money out of their patents.

(2) *James F. Smathers*, Legionnaire (pp. 15–20), told of his own experience of loss on his invention.

> In 1913 I secured a patent and my means were very limited and I had to work a while and pay a modelmaker, then work a while again. So the years went by and I get a model built and was just about to make some arrangements for marketing it, or planning at least for marketing it, when the war came on. * * *
>
> I went into the Army in November 1917, went overseas and was brought back home and discharged in June 1919, approximately 21 months after entering the Army. I had borrowed money and had made fair arrangements for carrying on my development work before I joined the Army. When I came back all those financial plans were disrupted; the banks knew I did not have anything and I could not resume my borrowing from them, as I had done prior to the time I went away. So I first had to turn in and work for a year or two to revamp my bank account before I could even start to make models, and in about 1921 I was able to get another model done and to start again along the course of planning and marketing my invention, and in 1923 I succeeded in making arrangements whereby a manufacturing concern took over the engineering and development work.
>
> Mr. LANHAM. In other words, but for your service in the war you could have brought this up to the point that you did in 1923 at a much earlier date?

> Mr. SMATHERS. I had practically the same kind of an arrangement made and completed in 1917 as was finally completed in 1923. I had some men connected with manufacturing concerns in the East under a tentative contract at the time, and it was to pay me a royalty and a certain interest in the invention, and that is practically the same arrangement I have today.

Another point brought up in the discussion was that there were still men in the service after the signing of the armistice, and Mr. Lanham thought that the date ought to be fixed with reference to the date of enlistment and the period of service. Colonel Taylor thought that the committee should fix the date as the date Congress itself terminated the war, i.e., July 2, 1920.

Opposition to the bill came from the Commissioner of Patents, representatives of the National Association of Manufacturers, and from the American Patent Law Association.

(3) *Thomas E. Robertson*, Commissioner of Patents (pp. 21–23), objected to the bill on the grounds that it was not fair to the manufacturer who had spent money and time in preparation for manufacture as soon as the patent expired. He explained:

> The fundamental objection I made was that no bill giving general relief should be passed, but that when anyone had a case in which an extension was justified, relief should be passed for that particular case. Because in the passing of a bill giving general relief we are likely to do damage in places where we could not see where the damage would be wrought. Now, the bill has been amended to take care of those who have licenses under existing patents, if those patents might be extended by this bill, so as to provide that the licensees may continue to manufacture under the terms of the existing license.
>
> If there is not a clause in this bill taking care of those who have obtained improvement patents, and permitting them to use their inventions and not be blanketed by any extended patent, there should be. But even if there is such a provision, my point is that this does not take care of the manufacturer who has not yet really begun to manufacture but who may have expended $100,000 or $200,000 or maybe half a million dollars preparatory to manufacturing just as soon as the patent expires.

Mr. Robertson was asked whether or not clause H would take care of these manufacturers. Clause H was:

> That such extension shall in no way affect the right of anyone who before the passage of this act was bona fide in possession of any rights in patents or applications for patents.

He answered that the clause would take care of the improvement patents but not of the man who has spent a hundred thousand or a million dollars getting ready to manufacture, and was waiting for the patent to expire before actually starting to manufacture. If suddenly the patent were extended a few years, the man's investment would be wasted.

Mr. Robertson said that as an alternative to the present bill, the Commissioner of Patents could be given power, subject to opposition and to review by the courts, to determine whether an applicant deserved an extension or not.

For example:

> * * * suppose that John Doe wants an extension of a patent, and under the terms of the bill he will have 5 years' extension granted to him, if any. John Doe should be made to show two things, the things set forth in this bill; to wit, that he was doing his best to put it on the market at the time he was inducted into service, and so on; and that there is a hardship resulting; and then the bill should provide that anyone who is damaged by the extension, the possible extension, should have a chance to come and oppose it, and then this committee or the Commissioner of Patents or the Secretary of Commerce or some court should be given power to decide whether the facts in that case justify extension.

He added:

> But I think that in view of the fact that proponents of this bill think there is going to be only a few applications for extension, it would be better to have them sifted out, even at the expense of additional work on the Patent Office, or some court if you wish, rather than to pass a blanket bill giving extension to people that you have no idea of now, and affecting vital interests, the biggest interests of the country, you may say. You do not know. You cannot tell where it will reach.

c. Action and enactment of H.R. 10435

H.R. 10435 was favorably reported out in the House and Senate Committees on Patents (H. Rept. 1314 and S. Rept. 1296).

The House committee, in issuing its report on April 19, 1928, stated:

> When war was declared in April 1917, and the conscription act was passed, all able-bodied men were called to the colors, including men who were the holders of patents; and it has developed that a few of them, at least had started to build organizations for the development of the invention on which a patent had been issued, but the call to war caused a necessary abandonment of such organization, and the invention and development were left at a standstill while the men were in service.
>
> The purpose of this legislation is to extend the monopoly given to these men, if by reason of the fact that they were taken into service, they lost the income that they would otherwise have received, or if that income was reduced during the time spent in the military service.
>
> The committee feels that in cases of this kind these men are entitled to have the time limitation of their patents extended, and the bill is drawn so as to extend the monopoly for a period three times the length of the service in the World

War, which the committee believes is equitable and just, based upon the varying lengths of time that different men were in the service.

The Senate committee issued its report on May 3, 1928. It was almost identical to the House report, quoted in part, above.

H.R. 10435, permitting the extension of a patent to any person who served honorably in the military or naval forces of the United States at any time between April 6, 1917, and November 11, 1918, was signed by the President on May 31, 1928, becoming Public Law 623.[114] Six patents were extended under this act.

B. WORLD WAR II

1. H.R. 1190, JANUARY 8, 1945 (MR. O'HARA)—79TH CONGRESS

This bill was introduced during World War II, and provided for the extension of the term of patents in the case of persons serving in the armed services during the war.

It provided:

> SEC. 1. That any person serving in the land or naval forces of the United States at any time during the period beginning December 7, 1941, and ending on the date of the termination of hostilities in the present war, as proclaimed by the President, who is on active duty, or who has been discharged or relieved from active service under honorable conditions, and who desires to secure extension of the term of a patent pursuant to this Act, may within six months after the date of his discharge or release from such service, whichever is the later, upon payment of a fee of $20, make a written application to the Commissioner of Patents, containing as a part thereof a statement setting forth—
>
> (A) that * * * [his patent] was granted prior to his entry into or during his period of service * * * the original term of which [patent] remains unexpired at the time of filing of the application;
>
> * * * * *
>
> (D) the period of extension * * * shall in no case exceed a further term of three times the length of his said service * * *
>
> * * * * *
>
> (F) that such extension shall in no way impair the right of anyone who before the date of enactment of this Act was bona fide in possession of any rights in patents or applications for patents conflicting with the rights in any patents extended under this Act, nor shall any extension granted under this Act impair the right of anyone who was lawfully manufacturing before the date of enactment of this Act the invention covered by the extended patent.
>
> * * * * *

[114] 45 Stat. 1012 (1928).

> SEC. 3. On the filing of such application * * * the Commissioner shall cause notice of such application to be published at least once in the Official Gazette. Any person who believes that he would be injured by such extension may within forty-five days from such publication oppose the same on the ground that any statement in the application for extension is not true in fact, * * * In all cases where notice of opposition is filed the Commissioner of Patents shall notify the applicant for extension thereof and set a day of hearing. If after such hearing the Commissioner is of the opinion that such extension should not be granted, he may deny the application therefor, stating in writing his reasons for such denial. Where an extension is refused, the applicant therefor shall have the same remedy by appeal from the decision of the Commissioner as is now provided by law where an application for patent is refused. * * *

2. H.R. 6346, MAY 7, 1946 (MR. RICH)—79TH CONGRESS

This bill was similar to H.R. 1190 (79th Cong.). However, it imposed in section 1 two additional conditions that the patentee must meet to be eligible for an extension:

> (C) That between December 7, 1941, and the date of enactment of this Act, he was not receiving from said patent an income, or that his income therefrom was reduced by his said service.
>
> (D) That at the time of his induction into the service he was making diligent effort to exploit the invention covered by his patent.

H.R. 6346 was submitted to the House Committee on Patents, and was reported out July 27, 1946 (H. Rept. 2686), with seven amendments which, however, did not change the original bill very much. The committee said:

> Under existing law, the Government grants to the patentee the exclusive right to make, use, or sell his patented invention within and throughout the United States and its territories for a limited period of time (17 years). In other words, in consideration of the patentee's disclosing his secret to the world, Congress has provided the patentee with the exclusive right to practice his creation during the time mentioned. The courts have held that this is a contract. The bill would tend to complete the Government's part of the bargain by restoring to the patentee that which he would have enjoyed but for the interruption caused by the war.
>
> When World War II was declared, the Selective Service Act was passed, and all able-bodied men were called to the colors, including men who were the owners of patents or who had rights under them; and it has developed that a few of them started to form or had formed organizations for the development of their patented inventions. The call to war, however, necessitated the temporary abandonment of their plans to exploit their inventions. The purpose of this legisla-

tion, therefore, is to make it worthwhile for servicemen to resume their prewar activities under their patents. More particularly, it is designed to extend the terms of the patents granted to such persons, if by reason of their service they lost income which they otherwise would have received; or if such income was reduced during the time of their service.

The committee feels that in cases of the kind mentioned persons who served in the military or naval forces during the present war are entitled to have the time limitation of their patents extended, and the bill is drawn so as to accomplish that purpose.

H.R. 6346 passed the House on July 27, 1946 (Congressional Record, p. 10296). No action was taken by the Senate.

3. OTHER BILLS OF THE 79TH CONGRESS

H.R. 718, January 4, 1945 (Mr. Elston). This was a more general bill providing that whenever, due to a war or unforeseen circumstances, valuable patent rights have lapsed or will lapse without the patent owners obtaining a reasonable reward or remuneration, the President shall have the power to extend said patents for an additional term not to exceed 17 years.

H.R. 2043, February 7, 1945 (Mr. Rowan). This bill was similar to H.R. 718 (above).

H.R. 3069, April 27, 1945 (Mr. Grant of Indiana). This was a general bill providing that all patents unexpired on the date of enactment of this act are extended for a period equal to the period beginning on December 7, 1941, and ending on the date of the termination of the war as proclaimed by the President or declared by concurrent resolution of the Congress.

H.R. 6071, April 10, 1946 (Mr. Beall). This bill combined the inability to manufacture due to war material shortages, etc., with the inability to exploit an invention because of service in the armed services. The extension was to be for twice the period in which the patentee failed to receive income from the patent. The extension was in no way to impair the rights of others in the patent.

S. 840, April 6, 1945 (Mr. Capehart). This bill was similar to H.R. 3069 (above).

4. BILLS INTRODUCED IN THE 80TH CONGRESS UPON WHICH HEARINGS WERE HELD

a. Provisions

H.R. 65, January 3, 1947 (Mr. Grant of Indiana). This bill was similar to H.R. 3069 and S. 840 of the 79th Congress.

H.R. 124, January 3, 1947 (Mr. O'Hara). This bill was similar to H.R. 1190 and H.R. 6346 of the 79th Congress.

H.R. 1107, January 20, 1947 (Mr. Rich). This bill was similar to H.R. 6346 of the 79th Congress.

H.R. 1984, January 17, 1947 (Mr. Stratton). This bill was similar to H.R. 2043 of the 79th Congress.

b. Hearings

Hearings were held on these four bills by the House Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, April 2, May 9 and 14, 1947.

Witnesses appearing before the committee were as follows:

(1) *Francis D. Stephens*, chairman, law and rules committee of the American Patent Law Association (pp. 11–16), told the committee that his organization voted to oppose the passage of all four bills. He said:

> The vote in this direction was because the association is in principle against the passage of any bill which would extend the life of any patent, although we realize that there are special hardship cases, as where fraud has been involved, in which justice demands that the life of a patent should be extended.
>
> * * * * *
>
> In general, the reasons for this opposition lie in the fact that the patent system is extremely complex. There are hundreds of thousands of valid patents, patents on which the 17-year period has not yet run out. Some of these patents, a great many of them, perhaps, are worthless. A great many of them are extremely valuable. Because of the number of them, industry must watch very closely as to where they stand with respect to valid patents.
>
> In anticipation of the expiration of a patent, certain industries may start to acquire materials, build plants, or lay plans for getting into a market which was heretofore held under a patent monopoly. A considerable investment may have been made. Then if the life of that controlling patent is extended, industry suffers.
>
> * * * * *
>
> The members of my association feel in general that all patent rights were curtailed during the war, the same as all private rights and efforts were curtailed during the war. In other words, while it is true that a serviceman suffered by not being able to exploit his patent rights, it is also true that a civilian owner of a patent could not exploit his patent rights because (1) he may have been engaged in war service, such as by working in a shipyard; and (2) industry was geared to the war effort and materials and labor were not available to the manufacturer to use and sell an invention which was set forth in his patent.
>
> Mr. KEATING. Perhaps the test should not be that, but was the contribution of the veteran such to his country that he is entitled to some extra consideration by reason of that?

(2) *P. J. Federico*, law examiner, U.S. Patent Office (pp. 19–27), stated that the position of the Patent Office in the past has been to oppose, in principle, proposals for extending the term of issued patents.

He stated the various reasons for opposing the particular bill as follows:

> H.R. 65 corresponds to H.R. 3069 and S. 840 of the 79th Congress. This bill provides for the general extension of all patents which were in force during the war for a period equal to the duration of the war, or in the case of patents which were granted or which expired during the war, for a period equal to the time that the patent was in force during the war.
>
> There are no restrictions, no limitations, just a blanket extension of all patents that were in existence during the war period. Of course, administration in a bill of this kind would be nonexistent, because the law automatically would extend the term of all the patents. Roughly, there might be more than 100,000 patents that would be involved.
>
> The bill is not limited to those patents which were affected by the war—where the patentee was unable to operate because of war conditions—but includes all patents, even those where the war may have caused the patentee to obtain greater profits than he would have otherwise.
>
> H.R. 1984 is practically the same as H.R. 2043 of the 79th Congress. It provides for the extension of the term of any patent when the patent owner had not obtained a reasonable reward or compensation for his efforts due to the war, periods of national emergency, or unforeseen circumstances. In this bill, the extensions are limited to a certain class of patents, but they are not limited to those that were affected by the war, the bill applies to patents that were affected by an unforeseen circumstance which may arise in the future.
>
> H.R. 1107 is a duplicate, with one exception, of H.R. 6346, as it passed the House of Representatives. * * * The bill * * * is patterned after the law enacted in 1928, and differs only in a few respects from it. * * * The general position of the Patent Office in opposition to extensions of patents applies to bills of this kind, and the Patent Office has in the past opposed legislation to extend patents to compensate for the war period, including bills on behalf of persons that served in the military services.

(3) *Col. George W. Gardes*, representing the War Department (pp. 27–28), said that the War Department was not in favor of H.R. 65 and H.R. 1984 because they provided benefits to patent owners without requiring the showing of injury or loss as a result of war, and would afford unjust enrichment. They would also create a "future and presently incalculable potential liability for the patent infringement by the War Department as well as by other Government agencies."

(4) *Hon. Fritz G. Lanham*, former Congressman and member of the House Patents Committee (pp. 32–36), said that he was opposed to the general legislation. He felt that the veteran should be required to show that he was injured materially with reference to the advantages that he might have obtained under his patent.

c. Reports

At the conclusion of the hearings, the subcommittee prepared a clean bill, H.R. 4304, which was reported out by the committee (see infra).

5. H.R. 4304, JULY 21, 1947 (MR. LEWIS)—80TH CONGRESS

This bill was similar to H.R. 1190 of the 79th Congress. It was reported out by the House Committee on the Judiciary, with two minor amendments in wording, on February 9, 1948 (H. Rept. 1360). The committee referred to the hearings which were held the previous session, saying:

> Representations were made and were seriously considered by the committee that the benefits of such legislation should inure to all patentees who suffered losses by reason of being unable through shortages of materials or other reasons during the war to prosecute and exploit their patent rights. The committee, however, felt that to provide relief for all such persons who suffered losses in this manner would be to overlook the many thousands of persons in other walks of life who suffered grievous and irreplaceable losses in their fortunes because of the circumstances of war. For most of such persons no governmental relief has been or could reasonably be afforded, for such conditions cannot reasonably be considered by thinking persons the responsibility of the Government to restore.
>
> As to veterans of World War II, however, the committee could perceive a reasonable and logical distinction, for in these cases the circumstances of the removal of the patentees from the scenes of their livelihoods and occupations, and the involuntary (in most cases) nature of their having military or naval duties thrust upon them, effectively deprived them of their freedom to exploit their patent rights even if materials, etc., had been available. Of course, there were many whose patents produced a steady and undiminished income during their absence in service, but as to these the bill makes adequate provision.
>
> The bill further carefully protects the innocent persons who might unwittingly and legally be manufacturing a patented invention after the expiration of its original term and then finds that the extension of the period creates a technical infringement. In such cases the continued manufacture is permitted, subject only to the payment of a reasonable royalty.

This bill passed the House on March 1, 1948 (Congressional Record, p. 1938), but no action was taken in the Senate.

6. OTHER BILLS OF THE 80TH CONGRESS

H.R. 4511, November 18, 1947 (Mr. Sabath).
H.R. 5452, February 17, 1948 (Mr. McGarvey).

7. PUBLIC LAW 598 (81ST CONG.), JUNE 30, 1950

Public Law 598 [115] had its origin in H.R. 4692, introduced on May 16, 1949, by Mr. O'Hara. It was similar to H.R. 4304 (80th Cong.). Hearings were again held by a subcommittee of the House Judiciary Committee; witnesses testified pro and con. The House Committee

[115] 64 Stat. 316 (1950), 35 U.S.C. sec. 115 (1952).

on the Judiciary issued its report on August 8, 1949 (H. Rept. 1214), and the Senate on October 17, 1949 (S. Rept. 1190). H.R. 4692 passed the House on August 15, 1949, and the Senate, with amendments, on October 18, 1949.

As the Senate passed the bill, it extended the term of patents held by members of the armed services for an additional amount of time equal to the amount of time they spent in the services. On the other hand, the bill, as passed by the House, would have extended the term for twice that long. A conference was held (H. Rept. 1880), and the conferees agreed with the position taken by the House of Representatives, and on June 19, 1950, the House and Senate agreed to the conference report. H.R. 4692 was signed into law on June 30, 1950, becoming Public Law 598. One hundred and thirteen patents were extended under this act.

8. OTHER BILLS INTRODUCED IN THE 81ST CONGRESS

Other bills introduced in the 81st Congress, but on which no action was taken, included—

H.R. 98, January 3, 1949 (Mr. O'Hara).
H.R. 3135, March 1, 1949 (Mr. McConnell).
H.R. 4071, April 7, 1949 (Mr. O'Hara).
H.R. 4155, April 9, 1949 (Mr. Gorski).
H.R. 8884, June 21, 1950 (Mr. Walter).
H.R. 9366, August 9, 1950 (Mr. Reed).
S. 1854, May 13, 1949 (Mr. Douglas).

9. PUBLIC LAW 437 (82D CONG.), JUNE 1, 1952

Public Law 437 [116] had its origin in S. 1537, introduced by Mr. Magnuson on May 23, 1951. H.R. 4413, introduced by Mr. O'Hara on June 12, 1951, was considered at the same time. The purpose of these bills was to amend Public Law 598 (81st Cong.). Under that law, a veteran received the benefits incident to the extension of his patent provided he were the sole owner of the patent. This amendment would extend that coverage to veterans who owned patents jointly with their spouses.

S. 1537 was reported out in S. Rept. 1441 and H.R. 4413 in H. Rept. 1716. S. 1537 passed the Senate on May 1, 1952. The House passed H.R. 4413 on May 5, 1952, and the amended S. 1537 on May 15, 1952. It was signed by the President on June 1, 1952.

C. POST-WORLD WAR II AND KOREAN CONFLICT

1. BILLS INTRODUCED IN THE 82D CONGRESS, UPON WHICH HEARINGS WERE HELD

a. Provisions

H.R. 323, January 3, 1951 (Mr. Reed of Illinois). It provided:

> that the term of any patent shall be extended to such extent as the normal use, exploitation, promotion, or development of such patent has been prevented, impaired, or delayed by reason of—

[116] 66 Stat. 321 (1952), 35 U.S.C. sec. 118a (1952).

(a) the granting of a license to the United States without payment of royalty or at a nominal royalty;

(b) any restrictions or prohibitions imposed by the United States by reason of a war or other national emergency; or

(c) any circumstance beyond the control of such owner or holder or resulting from the existence in the United States of a state of war or other national emergency.

H.R. 4054, May 10, 1951 (Mr. Walter). It provided:

that the term of any patent may be extended in accordance with the provisions of this act if the normal return has been prevented, impaired, or delayed, during the period beginning May 27, 1941, through November 4, 1945, inclusive, by reason of inability to obtain materials due to the fact that materials required were subject to Government priorities or allocations.

Both bills contained procedural provisions which contemplated application to the Commissioner for an extension, with review by the Court of Customs and Patent Appeals. Both provided an absolute exemption of the United States from all liability during the extended term; an exemption for things made and sold in the period between expiration of a patent and its revival for an extended term; and a provision allowing licensees either to cancel or to continue on the same terms for the extended period. Both bills provide for an extension for a period "commensurate with the extent to which normal economic return from such patent was so prevented, impaired, or delayed."

b. Hearings

Hearings on the above bills were held before Subcommittee No. 3 of the House Committee on the Judiciary on June 20 and 22, 1951.

(1) *Representative Francis E. Walter* (pp. 4–6) testified in favor of his bill, H.R. 4054. He said:

I believe that everyone admits that America's inventive genius has helped to make this country great. No one seriously questions the wisdom of protecting the inventor through an effective patent system. * * * The patent is a property right, of which the owner cannot be legally deprived, even by the Government, without the payment of just compensation. But, what of the deprivations that result when the Government, through restrictions, priorities, and allocations, has effectively prevented use of a patent during 4 or 5 of those 17 years?

It is a basic principle of jurisprudence that he who grants a right, also impliedly covenants that he will not deprive the grantee of the enjoyment of that right. * * * Even in the field of patents, this committee and Congress have repeatedly recognized this essential justice in particular cases.

The trouble is that heretofore we have attempted to deal with the matter piecemeal, by private bills for relief of

> individuals or special groups. As the law now provides no machinery for granting justice to injured patentees, this subcommittee frequently has been called upon to consider individual cases through the instrumentality of private bills. It is no disparagement of this subcommittee to say that it is not equipped to pass on the merits of individual claims. That is a burden which should not be thrust on any congressional committee.
>
> In most foreign countries, I understand, the law provides for prolongation of patents, when their enjoyment has been frustrated by governmental restrictions.
>
> I believe it is high time that the law in this country should do justice along similar lines. Congress should lay down a general rule and permit its application to individual cases through administrative or quasi-judicial channels. That is the purpose of H.R. 4054. * * *

(2) *John Hoxie,* chairman of the committee on patent law and practice, New York Patent Law Association (pp. 6–20), presented a report by his association, which summarized its conclusions opposing the bills as follows:

> The committee is opposed to both bills in principle because it believes—(1) that they rest on a misapprehension of what the patent right is; (2) that they are inherently discriminatory; and (3) that the administrative problem of granting extensions for the reasons made operative by these bills would be unduly great.
>
> The committee is further opposed to H.R. 4054, and to H.R. 323 in its comparable effect, because too much time has elapsed to permit equitable redress now for World War II situations.
>
> The committee also opposes the extension, under any circumstances, of expired patents, a result contemplated by both bills. As applied retroactively to World War II situations, such extensions—really revivals—would recreate inequity in their effect upon investments, commitments, and plans made in reliance on the normal expiration of patents. In its prospective application, H.R. 323 would create an uncertainty as to the expiration of all patents, which would unduly burden and impede industrial development.

(3) *William B. Barnes,* an inventor (pp. 85–91), was one of several representatives from small businesses and individual inventors who testified in favor of the legislation, telling of their losses during the war because of inability to get materials and equipment. Mr. Barnes described the difficulties that the independent investors and small businessmen face in making the most of inventions, and the obstacles they must overcome. Some of these were (1) the invention must be marketable; (2) the timing must be good; (3) advantageous commercial arrangements must be made; and (4) domination by prior patents must be avoided. In the face of these difficulties, Mr. Barnes said:

> the surprising thing is that a man is still willing to take his chances in the field of invention. He does it only because society makes with him a bargain. In return for the full dis-

> closure of a new and useful invention, society grants to him the right to practice it (if he can also overcome these hurdles) and exclude others from so doing, for an intended period of 17 years. He delivers his part of the contract; he naturally expects society to do the same. Having overcome these hurdles he has the right to expect that society itself will not interpose unexpected hurdles of its own, to interfere with what returns he can derive from his efforts at invention. If, however, society itself does interfere with his exploitation of the invention for any portion of that 17-year period, the inventor is in the position of one who has delivered his part of a contract and finds himself shortchanged by the other party to the bargain.

(4) *Paul A. Rose*, chairman, committee on laws and rules, American Patent Law Association (pp. 93–102), said that the American Patent Law Association was opposed in principle to the extension of the terms of patents as proposed in the bills under consideration. Such extensions, he stated, were not believed to be in the public interest or in the interest of the patent system in this country. They were also contrary to the established policy of the Congress against extension. The proper remedy, according to the association, would be by way of special legislation restricted to individual patents, rather than general legislation.

These bills were not reported out of committee, and no further action was taken on them.

2. OTHER BILLS INTRODUCED IN THE 82D CONGRESS

H.R. 3231, March 14, 1951 (Mr. Davis of Wisconsin).
H.R. 7394, April 4, 1952 (Mr. Budge).
H.R. 7552, April 23, 1952 (Mr. Magnuson).
S. 1986, August 9, 1951 (Mr. Dirksen).
S. 3096, May 1, 1952 (Mr. Dworshak).

No hearings were held on any of these bills and they received no further action.

3. BILLS INTRODUCED IN THE 83D CONGRESS, UPON WHICH HEARINGS WERE HELD

a. Provisions

H.R. 1228, January 7, 1953 (Mr. Budge). It proposed to amend the act of June 30, 1950, to allow an extension to "persons, firms, or corporations as coowners of patents." This would increase the coverage of the law, which at that time allowed an extension to the inventor-veteran only if he were sole owner of the patent or coowner with his wife.

H.R. 1301, January 7, 1953 (Mr. Reed). This bill was similar to H.R. 323 (82d Cong), described supra, p. 164.

H.R. 2309, January 29, 1953 (Mr. Scott). It contained the following provisions:

> (a) it is the policy and purpose of this act to provide for the extension of the term of any patent where—
>
> (1) to further the interests of the United States of America, the owner of such patent has heretofore granted

a license thereunder to the United States, or to manufacturers, producers, or contractors authorizing them to produce or furnish goods or services for or to the United States, without payment of royalty, or at a nominal royalty, such license having been granted by the owner to promote any war effort, or any program of rearmament or preparation for the national defense, in which the United States has been engaged since the invasion of Poland by Germany on September 1, 1939;

(2) since September 1, 1939, under the authority of such license, the United States, or manufacturers, producers, or contractors furnishing goods or services to the United States, have made substantial use of the invention embodied in such patent in the production or furnishing of goods or services for or to the United States, such use of said invention having been of material assistance and benefit to the United States in connection with any war effort, or any program of rearmament or preparation for the national defense;

(3) the owner of such patent is willing to grant a license thereunder to the United States authorizing the use of the invention embodied in such patent in the production or furnishing of goods or services for or to the United States, without payment of royalty, for the period beginning on the date of expiration of the initial license granted by such owner, and continuing to the date of the expiration of the said patent as extended hereunder; and

(4) such owner is willing to release any and all claims for any infringement of such owner's patent, or any unauthorized use of the invention embodied therein, in the production or furnishing of goods or services for or to the United States, which the owner may have against the United States, or against any manufacturer, producer, or contractor who has produced or furnished goods or services for or to the United States.

(b) In such circumstances the term of any such patent shall be extended for a term equal to the period during which the initial license granted by the owner of such patent, without payment of royalty, or at a nominal royalty, was in effect after September 1, 1939, the term of such extension to begin on the date of expiration of the original term of such patent. * * *

H.R. 3534, February 26, 1953 (Mr. Crumpacker), provided:

That (a) if at any time during any of the periods specified in subsection (d) of this section—

(1) the term of any unexpired patent of the United States included time during which any individual owning not less than a 50 percent interest in such patent was performing honorable service on active duty in the Army, Navy, Air Force, Marine Corps, or Coast Guard; or

(2) the practice of the inventions described and claimed in any unexpired patent of the United States was prevented or curtailed by any order of an agency of the Government prohibiting or limiting the production or use of any class of machines, articles, or materials, or the use of any class of processes or formulas,

then the term of such patent may be extended in accordance with the provisions of this act.

* * * * *

(d) The periods during which one or more of the circumstances described in subsection (a) must have occurred in order to qualify a patent for extension under this act are as follows:

(1) The period beginning May 27, 1941, and ending December 31, 1945.

(2) The period during which the Selective Service Act of 1948 or the Universal Military Training and Service Act is in effect.

(3) The period during which title I of the Defense Production Act of 1950 is in effect.

H.R. 4944, April 30, 1933 (Mr. Utt). It was similar to H.R. 323 (82d Cong.), described supra, p. 164.

b. Hearings

Hearings were held on the above bills, before Subcommittee No. 3 of the Committee on the Judiciary, House of Representatives, on June 10, 1953.

(1) *Hamer H. Budge* (pp. 10–11) spoke in favor of H.R. 1228, contending that the extension privilege should be available to the person who retained a substantial interest in his patent even though he had made an assignment thereof, just as though he were the sole owner as specified under present law.

(2) *Irving Potter*, president, Patent Equity Association, Inc. (pp. 12–27), testified in favor of H.R. 3534. He pointed out that the constitutional provision allowing the grant of patents for limited times did not speak in terms of "limited times during peace," or "limited times to be abridged during war." He described the hardships his company endured because of Government stop orders during the war. He pointed out that, although the Potter refrigerator was developed by his company, other manufacturers made millions on the invention, while his backers had their business entirely wiped out due to Government stop orders.

(3) *William R. Ballard*, National Association of Manufacturers (pp. 37–40), opposed H.R. 1301, 2309, and 3534, on the ground that they would have the following bad effects on the patent system:

(1) From the fact that owners of patent rights—one species of property—would be singled out for preferred treatment, which is unfair to the owners of other kinds of property; (2) from the resulting uncertainty as to the expiration date of patents, and the consequent difficulties for business enterprises in planning their future activities; and (3)

from the further overloading of the Patent Office by a flood of applications for extension, to the detriment of its important business of handling applications for patent.

(4) *Willard Hayes*, chairman, Committee on Laws and Rules, American Patent Law Association (pp. 46–50), presented the objections to the bills by his association, which ran along the same lines as previous testimony.

(5) *Dr. Edwin Armstrong* (pp. 64–71) eloquently described the patent system as follows:

> In the previous hearings Abraham Lincoln was quoted as having said that "The American patent system added the fuel of self-interest to the fire of genius". To my mind that statement expresses the true function of the patent law in our economic system—to provide incentives for the making of inventions.
>
> Many people who would agree with that statement, however, do not look beyond the making of a single invention and rewarding the inventor for it. I suggest that there is a good deal more than that to the matter of providing incentives. From the standpoint of the individual inventor, the important thing about rewarding the inventor is to provide him with the resources with which to make the next invention. That is the aspect of the matter that is of public importance. For if inventions were ever needed, they are needed now, world conditions being what they are.
>
> The test of any proposal affecting the patent law is whether it will serve as a spur to invention. Applying that test to the proposal which is before your committee, I think it is a meritorious proposal. It would provide a good many inventors, I believe, with the means with which to go on inventing. And last, and perhaps most important, it would assure the inventors and potential inventors of the country that the Congress is mindful of the importance of their work and wants them to reap their due reward—not for the sake of the reward but for the sake of going on and making other inventions.
>
> There are those nowadays who belittle the role of the individual inventor and say that research has become so complicated and so expensive that it can only be carried out by large laboratories, such as those maintained by the major industrial organizations. That is not in accord with experience. Many inventions, of course, come out of the industrial laboratories, and there are certain types of problems which only they can work on effectively, because of the amount of money involved. But in the many fields where the capital requirements are not too great, it has been proven over and over that man for man and dollar for dollar, the individual inventor repeatedly outstrips organizations with hundreds of times the manpower and numberless times the financial resources. My point is not that either kind of inventive effort must give way to the other; my point is that the country needs both kinds of effort.

Now, I do not believe that my own experience is at all unique and therefore I will illustrate the point by reference to my FM inventions. You all know we now have radio without static; that we have coast-to-coast transmission of television signals; that police, fire, and emergency vehicles keep in constant touch with their headquarters by radio, and that may hundreds of long-distance telephone conversations travel between cities over a single beam and that those radio beams are rapidly replacing wires. All of those services are based on the radio system that eliminates static from the signal, popularly known as FM.

Now, when I invented the system of frequency modulation which produced noise-free radio signals, many others had been working in that field, among them the largest and best radio laboratories in the world—General Electric, Westinghouse, RCA, the American Telephone & Telegraph Bell Laboratories, and the great German Telefunken Co.

Their results were entirely negative. The general opinion among radio engineers about the possibility of a static eliminator was expressed by John R. Carson, the telephone company's ablest mathematical physicist, who wrote in a technical journal in 1928, and demonstrated mathematically, that the problem of static was insoluble. Now I quote from his conclusion:

"As more and more schemes are analyzed and tested, and as the essential nature of the problem is more clearly perceived, we are unavoidably forced to the conclusion that static, like the poor, will always be with us."

That was in the proceedings of the Institute of Radio Engineers in 1928, just 5 years before static was eliminated.

* * * * *

On another occasion, commenting on frequency modulation, in which the solution of the noise problem was found, Mr. Carson stated that frequency modulation "inherently distorts without any compensating advantages whatsoever," That statement, of course, was approved by the management of the greatest communications company in the world, the American Telephone & Telegraph Co., because no statements go out until they are approved by the patent department of that corporation—or of any other of the large corporations, for that matter.

When the problem was finally solved, and the static in broadcasting reduced 1,000 to 1, it was in a small university laboratory, with a staff consisting of one laboratory assistant and one secretary and myself, at the Marcellus Hartley Laboratory at Columbia University.

I have heard recently of a case where a development now used in jet-airplane engines was made by a single metallurgist with three or four laboratory assistants, after the largest metallurgical laboratories specializing in that particular field—laboratories maintained by two of the largest corporations in the country—had worked on the job and reported that it was impossible of accomplishment.

So I say that the function of the individual must not be underestimated, and that the provision of liberal incentives for him is a matter of public importance.

There are some other considerations affecting the rewards of inventors that your committee may want to take into consideration.

In many cases the 17-year life of a patent is purely theoretical. It takes time for a new invention to be accepted, especially if it is important and would involve major changes in industry practices or installations. My FM patents, for example, were issued in December 1933. They were greeted by the industry with skepticism, and it was 5 or 6 years before it was generally accepted that the FM system would do what I said it would, and it was 1939 before I received a cent of royalties under the patents. So in measuring the effect of war restrictions in that kind of a situation, the effective life of the patents is really about 10 years, instead of 17.

There is another point that I just want to pass over briefly. That is that quite a number of patentholders gave free licenses for Government purposes during the prewar emergency period and the war. In my case, I initiated that policy in the radio field in March of 1941 by giving a free license to the Army and the Navy; and there was a quarter of a billion dollars of equipment made during the period of the war, from those.

I would like for the record to show that the FM system was used universally in all mobile communications of the U.S. Army during World War II, and was employed with great effectiveness during the later amphibious operations in both the eastern and European theaters of war.

There is another problem to which the representatives of the American Patent Law Association did not direct your attention. On account of the numerous fields where Government controls operate, an inventor may have his reward diminished or reduced to zero by bureaucratic fiat. While my own experiences may not be typical, at least it is illustrative of problems that are increasing for the inventor.

My FM system had been tested and demonstrated and was ready to go into public use before 1936. But in 1936, when the Federal Communications Commission was called upon to provide wavelengths for it, the assignment in the then usable part of the radio spectrum was only five channels. Nothing remotely approaching a nationwide system of FM broadcasting could be built upon five channels; and there—and for the further reason that the service was made "experimental," so that nobody could derive a cent of revenue out of it—the Commission deprived it of all immediate commercial attraction to the big broadcasters.

Hence, the large interests in broadcasting stood pat, and left it to the inventor and some of the less favored broadcasting interests to exploit the FM system. It was not until May 1940, that the Commission made FM broadcasting "commercial" and assigned additional (but still insufficient) radio channels to it.

Now, the retarding effect of the Commission's action befor the war may be attributed to inertia, to the failure of the industry to keep itself and the Commission adequately informed, and, perhaps, to the natural caution of a regulatory body in dealing with new things. But after the war the Commission put another damper on the development of FM, which cannot be explained on any of the grounds that I have mentioned.

Contrary to the unanimous recommendation of the radio industry, and relying on the testimony of a Government engineer who made certain predictions as to the probable behavior of radio waves—predictions which were later proved and admitted to be wrong—the Commission made a drastic change in the wavelength assignments for FM broadcasting; so the job had to be done all over again.

In that manner a period of about 2 years was cut off the effective life of the patents, which at the end of the war had only 5 years to run.

I am sure that your committee can find many other examples where Government by bureaucratic fiat has cut down or even destroyed by action of other branches of the Government.

In the case of the FM patents, the royalty-producing period was about a year before the war and about 4 years after the war—or a total of 5 years, instead of 17. I make no complaint about the past, but it is something in the future your committee will have to deal with because 17 years is all too short a time to exploit a really important invention under government by commission.

There is one thing that I would like to comment on and then I will conclude. The National Association of Manufacturers said that one of the most important things about a patent is the date on which it expires. I would like to meet that statement head on by saying that the important thing about a patent is the date it is issued and shows the public something new—how to do something new that they did not know how to do before.

By the time the patent has expired the royalties that accrue to the inventor are usually down to 1 or 2 percent, no particular factor at all as far as any burden on the public is concerned; and likewise at the time everyone who wanted to, has already gotten a license.

(6) *Roberts B. Larson*, patent attorney (pp. 72–74), testified in favor of H.R. 1228. He felt that existing law was unjust to veterans who had entered into assignment agreements, but still held substantial rights in their patents.

(7) *Harry H. Hitzeman*, patent attorney (pp. 76–84), urged the passage of a general patent extension bill, authorizing extensions on the various grounds in the pending bills. He added:

> The only just and sensible way for this Government to live up to its contract with inventors and patent owners is to assure them, by the passage of a general patent-extension law such as H.R. 1301, that they are guaranteed of no interfer-

ence with their right to patent protection for a definite period of time, regardless of how often it would be interrupted by national emergencies or other conditions. Maybe that is why, in the Constitution, it provides that patents shall be granted for periods of "times," and the word is used in the plural.

The guarantee of this patent protection does not require an appropriation of any moneys by the Congress, but reinstates a right or a remedy for the breach of the original contract the inventor had with the Government.

(8) *The Patent Law Association of Chicago* (pp. 113–114) presented its objections as follows:

In general, these bills violate the fundamental patent-law concept of giving the public the right to use an invention at the end of a stated period of time. These bills substitute for the public's right to compete after a fixed period a windfall right to the patentee for making additional profits, and places upon the public a commercial adversity due to the fact that the patent can be extended. This is not the promotion of science to which the patent laws should be directed.

These bills are an unjustified outgrowth of the act of June 30, 1950. This act authorized extending patents wholly owned by armed-service men. Its justification was patriotic. The right of extension expired June 30, 1951. By the act of July 1, 1952, the benefits of the earlier act were extended to armed-service men who owned only a part of a patent. The right of extension terminated January 1, 1953. We note that this second bill conferred a windfall on citizens who were not connected with the armed services, but solely with a serviceman. There is no justification for benefiting such individuals.

The bills under consideration have forgotten the armed-services man. They ask for patent extension for private parties who for some reason have not exploited their patent.

Our association opposes the bills because—

1. They represent class legislation, extending preferential treatment to a particular group because of, what we regard, a "risk of business."

2. They substantially increase the administrative burden in the Patent Office without providing the funds necessary to sustain the burden.

3. Several give preferential treatment to the U.S. Government upon extension of the patents. This is contrary to precedent and is unsupported by logic.

4. The constitutionality of these bills is questionable. The Constitution uses the words "limited times" in defining the grant which the Congress might give. These words emphasize the importance of a definite termination date for the patent monopoly. In authorizing the Patent Office to extend patents, these bills do not provide a sufficient standard, as required by the courts, for proper delegation of congressional power. Unlike the act of June 30, 1950, the constitutionality of these bills is not aided by patriotic motives and war powers.

Considering now the individual bills:

H.R. 1228 * * * This bill will enable one unconnected with the armed services to profit by an extension of a patent if he can associate himself in title with an inventor in the armed services. It is without time limit and hence introduces a large number of patents for extension. The patriotic reason supporting the act of June 30, 1950, is lacking here. This is class legislation without justification.

H.R. 4944 * * * These bills violate the spirit of the patent laws. A fixed term provides an incentive to a patentee to introduce his product on the market for the benefit of the public irrespective of what obstacles he encounters. These bills encourage a do-nothing and litigious attitude by a patentee.

These bills are not supported by patriotic considerations, for they are not limited to servicemen. * * *

H.R. 2309 * * *. This is class legislation. Additionally, it penalizes the public for an act which the patentee willingly undertook during the period involved, and the act continues to benefit the person which enjoyed the benefits during the period involved, i.e., the U.S. Government and manufacturers for the Government.* * *

H.R. 3534 * * *. The objections to H.R. 1301 and H.R. 4944 presented above are almost equally applicable here.

c. Committee and other action

H.R. 3534 was reported out, with a number of amendments, by the House Committee on the Judiciary (H. Rept. 2347) on July 20, 1954. Amendments included (1) expanding the provisions for extension of veteran-owned patents to include expired patents, but limiting such cases to situations in which use was prevented or curtailed by the veteran's military service; (2) inclusion of patents under which the Government had received a free license in furtherance of the war effort; (3) requirement that an application for extension of a patent in which a veteran held only a partial interest be joined by the veteran; (4) reservation to the United States of a royalty-free right to use the extended patents, except where the owner was entitled to receive royalites for items furnished exclusively to and used exclusively by the United States; and (5) protection of vested rights which might be affected by the extension.

The committee described the basis and need for the legislation as follows:

> The restrictions on the use of patents which were caused by * * * emergencies took several forms. The induction of owners of patents into the armed services or the voluntary enlistment of such owners for such service resulted in one form of curtailment of their rights to promote and exploit their inventions. Similarly, the issuance by Government agencies of production stop orders and restrictions in the use of machines, articles, materials, or processes may have substantially curtailed or even entirely prevented the normal use, promotion, or development of patented inventions. Still other situations arose where the owners of patents

furthered the interests of the United States and materially assisted in promoting the war effort or defense programs by granting licenses to the Government to use their patents without payment of royalty, or for a nominal royalty, even though the granting of such licenses prevented or substantially curtailed the normal use or exploitation of the patents.

* * * * *

To justify legislation for the extension of the terms of patents on the ground that national emergencies such as World War II and the Korean conflict resulted in the substantial loss of opportunities for the exploitation of such patents, the fundamental distinction must be recognized between the loss of such opportunities for patent exploitation and the numerous kinds of other economic losses suffered by various classes of citizens as a result of such emergencies. The measures taken by the Government in the interest of national defense necessarily caused indirect losses of varying degrees on numerous groups of citizens, creating situations for which there can be no compensation or other remedy provided by Federal legislation. * * *

Yet this general situation affords no justification for not compensating individuals from whom the Government has appropriated specific property. The Government stands in a special relation to such individuals and compensation is paid for property rights taken. In principle, the Government would have no more justification to abridge the special obligations it has assumed in inducing the disclosure and public dedication of inventions in exchange for the Government's assurance of a 17-year period for the exclusive use of such inventions.

H.R. 3534 passed the House on July 27, 1954 (Congressional Record, p. 12303).

The Senate reported out H.R. 3534 (S. Rept. 2265), but when it reached the Senate floor, it was objected to by Senator Gore, and the bill was not voted on.

4. BILLS INTRODUCED IN THE 84TH CONGRESS, UPON WHICH HEARINGS WERE HELD

a. Provisions

H.R. 2128, January 13, 1955 (Mr. Fisher of Texas). It was identical to H.R. 3534 (83d Cong.), authorizing the extension of patents covering inventions whose practice was prevented or curtailed during certain emergency periods by service of the patent owner in the Armed Forces or by production controls.

H.R. 3134, January 26, 1955 (Mr. Reed). This bill was similar to H.R. 1301 (83d Cong.).

H.R. 4700, March 7, 1955 (Mr. Utt). This bill was similar to H.R. 4944 (83d Cong.).

b. Hearings

Hearings were held on the above bills by Subcommittee No. 3 of the House Committee on the Judiciary on March 9, 1955.

(1) *The Department of Commerce* (p. 7) presented a letter stating it would not object to H.R. 2128, if enacted, but it felt that the administrative problem involved in processing demands would be extremely difficult and expensive. It opposed enactment of H.R. 3134.

(2) *The Department of Justice* (pp. 7–8) presented a letter concerning H.R. 2128 which concluded:

> The bill would benefit only some of a group of manufacturers who were prohibited from producing similar articles. Many groups, other than patentees, can claim injury to their business due to the war and war orders. Furthermore, many of the patents that might be extended have expired. The extension and subsequent revival of these expired patents would create inequity in their effect upon investments, commitments and plans made in reliance on the normal expiration of patents. The bill would create uncertainty as to the expiration date of all patents. Persons and corporations who have made plans and preparations to begin manufacture of a patented item when the patent therefor expires should, except in extraordinary cases, be secure in the knowledge that the patent will expire in accordance with its terms and not be extended or revived for an indeterminate period.

(3) *Other testimony* ran along the lines of the hearings in the 83d Congress.

c. Committee and other action

H.R. 2128 was reported by the House Committee on the Judiciary on June 20, 1955 (H. Rept. 1297). The committee pointed out that the general purpose of the bill was to authorize the extension of certain patents for terms comparable to the period that their normal use or development was prevented or substantially curtailed as a result of World War II or the Korean conflict.

Inasmuch as the committee report discussed certain crucial issues attending the extension controversy, these comments are set forth in some detail:

EXCLUSIVE RIGHTS OF PATENTEES

> One of the major issues before the committee was whether the Government, by imposing wartime controls, breached its agreement to secure to patent owners the exclusive right to the full use and control over their inventions for a period of 17 years. The argument was urged that while the patent owner may have been prevented from using a patented invention because of inability to obtain materials, etc., he was nevertheless not prevented by Government production controls from being able to exclude others from infringing on his patent rights.

It is true, of course, that the only statutory grant a patentee receives by the issuance of a patent is the right to exclude others. However, the right to exclude others includes, among other things, the right on the part of the patent owner to waive the exclusion and to grant a license on his patent to others, or to assign or sell the patent to others. If Government stop orders prohibit the using of the patent or prevent the exploitation, promotion or development of the patent so that it cannot be licensed to others, then it interferes with the patentee's exclusive use.

In addition, while a patentee has a statutory grant to exclude others, he also has, coupled with that grant, the common-law right to make, use, and exploit his invention as he sees fit. These two rights go together and, for all practical purposes, the right of exclusive use cannot be enjoyed save with the common-law right. The late Mr. Chief Justice Taft aptly stated the relationship in *Crown Co.* v. *Nye Tool Works* (261 U.S. 24, 36):

"It is the fact that the patentee has invented or discovered something useful and thus has the common-law right to make, use, and vend it himself which induces the Government to clothe him with power to exclude everyone else from making, using, or vending it. In other words, the patent confers on such common-law right the incident of exclusive enjoyment and it is the common-law right with this incident which a patentee or an assignee must have. That is the implication of the descriptive words of the grant 'the exclusive right to make, use, and vend the invention.' The Government is not granting the common-law right to make, use, and vend, but it is granting the incident of exclusive ownership of that common-law right, which cannot be enjoyed save with the common-law right."

An inventor has no legal obligation to reveal his secrets to the world. However, in order to induce him to make known his discovery so that the Nation as a whole may profit thereby, the Government in exchange for his public disclosure and dedication agrees to secure to him the exclusive use of his invention for a full period of 17 years. That is the inducement which the Government has long been offering by law and upon which inventors have been led to rely.

Since the public emergencies of World War II and the Korean conflict forced the Government to abridge the special obligations it assumed by the issuance of patents, it is the considered opinion of the committee that, in order to make good on its original undertaking, the Government should extend the term of such patents for periods corresponding to that during which the normal use or development of the patent was prevented or substantially curtailed.

CLASS LEGISLATION

Another argument raised against patent extension legislation is that such legislation would single out a particular group for benefits, and as such is inequitable and unfair to

the many citizens who inevitably suffered loss of one sort or another during World War II or the national emergency and who were given no compensation therefor. Such an argument, it is believed, if carried to a logical conclusion, would preclude the granting of any relief for the taking of property or for other losses. The U.S. Government, of course, could not provide or attempt to provide relief for all of the casualties of war, financial or otherwise. This fact, however, has not prevented the Congress from granting patent extensions to World War veterans, both after World War I and World War II, nor has it prevented it from making provison for relief for those, having direct contractual relations with the Government, whose position was adversely affected by governmental action. This is exemplified by the statutory provisions for the termination of war contracts (See, generally, title 41, U.S.C.—Public Contracts.)

Two of the principal examples cited in support of the argument against patent extensions are filling stations, which because of Government controls, could not obtain gasoline, and automobile dealers, who could not secure cars to sell. While such classes of people suffered from the same causes as did patent owners, it must be remembered, however, that unlike patentees, the Government did not agree to secure these persons in any exclusive right, nor did the Government limit the terms of their activities to 17 years. When the actual hostilities of World War II and the Korean conflict were over, filling-station owners or lessees and automobile dealers did not lose their businesses; rather, if they so desired, they could continue and expand their enterprises. They were not required, as is the patentee, at the end of a 17-year period, or at the end of any national emergency, as the case might be, to dedicate their businesses to the public welfare forever.

ESTIMATED APPLICATIONS

Upon request, a representative of the Patent Office furnished the committee with the following statistical data regarding the number of applications for extensions which could reasonably be expected as a result of this legislation. Generally, this legislation would benefit three groups: Section 1(a)(1) relating to veterans and their spouses; section 1(a)(2) relating to patents whose use was curtailed because of Government production controls, and section 1(a)(3) relating to patent owners who granted licenses on a royalty-free basis or at a nominal royalty. The probable number of applications involved, according to the data which follows, would not run into very many thousands.

Section 1(a)(1)—veterans and their spouses—number of cases would be negligible. Laws were enacted in the 81st and 82d Congresses to take care of World War II veterans and there were less than 160 applications under those acts. The only veterans likely to apply under this legislation are Korean veterans.

Section 1(a)(2)—patents affected by Government stop orders: There is no accurate way of estimating the number of applications which would be submitted under this category. Under British patent extension law, which is more liberal, 3⅓ percent of the patents which were eligible for extension applied for such extensions. Using the British 3⅓ percent as a basis, and applying it to the 400,000 U.S. patents which are presently eligible for extension merely from the standpoint of the dates involved, the U.S. Patent Office estimates that there could be about 13,000 applications in this class. This is a top estimate.

Section 1(a)(3)—licenses granted Government on royalty-free or nominal royalty basis: 600 specific patents were given to the Government under this category which have not expired. In addition, 52 companies granted licenses to Government on all of the patents which they owned. No estimate of number of patents involved could be given. Also, the entire radio industry (125 companies) granted licenses to Government in certain designated categories of patents. No accurate estimate could be made on this group. The Patent Office representative estimated that applications under this subsection would not be great—would not go into the thousands.

It should be remembered that any period of extension granted under this legislation would not speak from the date of this act or the date from which any extension is granted by the Patent Office; but rather from the date of expiration of the original term of the patent (sec. 1(b) of this bill). This circumstance alone will virtually preclude any patent the original term of which expired prior to January 1, 1952. The greatest extent of curtailment a patent owner may suffer under this bill, exclusive of a patent owned by a veteran, is about 4 years. Most patents, of course, will be affected for shorter times, since Government stop orders were issued progressively from 1942 as the exigencies of the national emergency increased. An extension of the 4-year term added to a patent which expired January 1, 1952, would bring the patent owner up to January 1, 1956, and would yield him very little or nothing. It follows therefore, that, for practical beneficial purposes, only patents which expire well after January 1, 1952, are worth filing an extension for and then only where the 4-year period of curtailment can be shown.

A minority report of the Committee expressed the following views:

REASONS FOR REJECTING THIS PROPOSAL

1. It singles out patent owners as a preferred class for relief from losses due to wartime controls, which is unfair to others who suffered equally from the same cause, such as filling stations which could not get gasoline and steak houses which could not get steak.

2. It opens up for extension thousands of patents, throws a heavy burden on the Patent Office, and sets up such a vague standard that it leaves too wide an administrative discretion.

3. It would result in uncertainty as to the expiration dates of patents, a matter of great importance to manufacturers who are planning new products.

4. The National Organization of Patent Lawyers is opposed.

5. The National Association of Manufacturers (many of whose members are owners of patents) is opposed.

6. The Department of Justice has reported adversely on this bill.

7. The Bureau of the Budget has voiced the following objections to the bill:

"The Bureau of the Budget further advises that it 'is opposed in principle to using exceptions to the patent system as a method of bestowing benefits on selected individuals or corporations. Benefits under these bills would have little, if any, relation to the injury sustained by the patentee; persons reasonably relying on the terms of a patent might be damaged; administration of the exceptions would present difficulties and may require increased funds for the Patent Office; and extension of patents whose practice was curtailed by production controls would so widen the area of exceptions as to serve as an important precedent for additional exceptions in the future. A great many people were unable to fully exploit their profession or property as a result of production controls. Enactment of these bills would bestow benefits on a very small group of them even though there seems to be no convincing evidence that this group has a specially meritorious claim.' "

8. This bill is now too late. Relief to applicants will depend on events and facts which occurred in 1942–45. The evidence is cold. Witnesses will be unavailable. Bills seeking this relief have been filed in several previous Congresses and have always been rejected. This bill should not be enacted at this late date.

9. The argument for this relief based on justice and equity is a false argument.

The House debated and passed H.R. 2128 on March 7, 1956 (Congressional Record, p. 4227). An amendment was offered to strike out subsection (2), but this was defeated. Subsection (2) provided for extension where:

> (2) the normal use, exploitation, promotion, or development of the inventions described and claimed in any patent of the United States was prevented or substantially curtailed by any order of an agency of the Government prohibiting or limiting the production or use of any class of machines, articles, or materials, or the use of any class of processes or formulas.

The Senate reported out H.R. 2128 (S. Rept. 2704) on July 20, 1956. The report followed the lines of the majority report of the House. The committee believed that the legislation was meritorious and that to amend the bill would result in the loss of any legislation on the subject matter.

However, the bill was passed over when it reached the Senate floor on July 29, 1956 (Congressional Record, p. 13917), and the legislation did not materialize in the 84th Congress.

A number of bills were introduced in the 85th Congress, but no hearings were held and no legislation ensued.

IV. INDIVIDUAL EXTENSIONS—SPECIAL BILLS

A. ART METAL WORKS, INC. (PRIVATE LAW 554, DEC. 23, 1944)

1. BACKGROUND

Art Metal Works brought an infringement suit under Aronson patent (No. 1,673,727; reissue No. 19,023) against Abraham & Straus, based upon its sale of cigarette lighters manufactured by Evans Case Co. The district court's holding that the patent was valid and infringed was affirmed on appeal. *Art Metal Works* v. *Abraham & Straus*, 61 F. 2d 122 (2d Cir. 1932).

Shortly thereafter, the defense moved to reopen the case for presentation of further evidence. The motion was granted, with Judge Manton presiding. The court suspended the former decision and allowed the case to be further contested by Evans, on the theory that trade announcements by Art Metal Works were so exaggerated and overdrawn in character as to constitute "inequitable conduct" or "unclean hands," which would justify the denial of relief to the patent owner. *Art Metal Works* v. *Abraham & Straus*, 62 F. 2d 79 (2d Cir. 1932).

The reopened proceedings allowed by Judge Manton at the instigation of Evans in 1932 were dragged out until 1934. In the meantime, Evans was encouraged by its relations with Judge Manton to put on the market a still further competing lighter closely similar to that covered by the Aronson patent, whereupon Art Metal filed a new infringement suit in the same court and involving the same parties. In 1934, both suits came before the circuit court of appeals, Judge Manton presiding. Both were decided in favor of Evans and its customer, Abraham & Straus. Judge Manton, speaking for the court, held that the third form of Evans' lighter was not an infringement and that relief to the patent owner for infringement arising out of the first and second forms of Evans' lighter should be denied. *Art Metal Works* v. *Abraham & Straus*, 70 F. 2d 639; same, 70 F. 2d 641 (2d Cir. 1934).

Evans' infringement went on throughout the United States, undisturbed and beyond any power of the patent owner to prevent it until the year 1939, when Judge Manton's criminal acts in the Abraham & Straus litigations were exposed. Judge Manton was found to have accepted a bribe from the Evans Case Co. Petitions were granted to Art Metal to reopen the two adverse decisions previously rendered by Judge Manton. *United States* v. *Manton*, 107 F. 2d 834 (2d Cir. 1939).

The final decisions in this case reversed Judge Manton's decisions, and Art Metal was reinstated to its patent rights. *Art Metal Works* v. *Abraham & Straus*, 107 F. 2d 940; same, 107 F. 2d 944 (2d Cir. 1939); cert. den. 287 U.S. 657.

2. H.R. 2994, JUNE 17, 1943 (MR. HARTLEY)—78TH CONGRESS

Because of the 7 years in which Art Metal was deprived of its rights through judicial corruption, H.R. 2994 was introduced by Representative Hartley to extend the Aronson patent for 7 years.[117]

a. Hearings

Hearings were held before the House Committee on Patents, October 13, 1943. Those appearing included the following:

(1) *Representatives Hartley* and *Keogh* supported the bill, pointing out that because of the unusual circumstances of the case, it would not set a precedent for extending the life of patents. They felt that because Art Metal lost its rights due to corruption in one branch of the Government, it should be granted relief by this act of Congress.

(2) *Kenneth S. Neal*, attorney for Art Metal, recited the history of the litigation with respect to the recovery for damages. The following exchange with Representative Busbey occurred:

> Mr. BUSBEY. A point of information, Mr. Chairman. There are two questions going through my mind. You said that they sold between $10 and $12 million worth of these lighters?
>
> Mr. NEAL. Yes, sir.
>
> Mr. BUSBEY. What is the actual sum that the Art Metal Works recovered from Evans Case?
>
> Mr. NEAL. We entered into a license agreement with them in 1940, which seemed to be the only feasible way of getting anything out of them.
>
> Mr. LANHAM. Whatever you got there, you got under your patent rights?
>
> Mr. NEAL. That's right, sir, due to the restoration, so to speak, which the court of appeals ultimately reinvested us with. We got $50,000 in cash at the closing of that agreement, and we got royalties of * * * 5 percent.
>
> * * * * *
>
> Mr. BUSBEY. They are still manufacturing these lighters?
>
> Mr. NEAL. Yes, sir; by our license.

(3) *Attorney General Francis Biddle* opposed the bill, summarizing his objections as follows:

> * * * the proposed bill should not be passed (1) because it would award the patent owner a compensation disproportionate to the damage suffered, for which the patent owner has already voluntarily settled with the infringer; (2) because the burden of the proposed extension would fall upon innocent members of the public who received no benefit from the 1934 decisions, and possibly also upon competitors of the patent owner who may have scrupulously respected the monopoly during its 17-year term, but meanwhile reasonably made plans and investments for production of the patented device after expiration of the patent; and (3) because an undesirable precedent would be set.

[117] H.R. 2994 was a substitute for H.R. 2898, previously introduced by Mr. Hartley on June 7, 1943.

(4) A letter from *Henry Lederer & Bro.*, a jewelry corporation, said that extending the life of the patent would deprive Lederer and others of rights to commence manufacture of the lighter.

(5) *The American Patent Law Association* asked the question, if the judiciary had been culpable and the patent owner had suffered a loss, "could not the amount of this loss be ascertained and a private bill for 'liquidated damages' introduced, in order to redress the owner of the reissue patent?"

(6) *Other opposing witnesses* included Conder C. Henry, Assistant Commissioner of Patents, and the American Bar Association.

b. Committee and other action

Both the House and Senate committees reported favorably on H.R. 2994 (H. Rept. 1433 and S. Rept. 1277). The House committee felt that the equities in favor of the owner heavily outweighed arguments advanced by opponents. The committee was of the view that the legislation was without precedent in the history of patent legislation and that no comparable future situation would ever arise. Since the owner was wrongfully deprived of his rights because of wrongful acts of an agency of the Government, the Congress properly might restore those rights by the enactment of this bill.

The bill passed both Houses and was signed into law December 23, 1944, as Private Law 554, extending for 7 years the term of the patent.

B. ELBERT R. ROBINSON PATENTS

1. BACKGROUND

A number of bills were introduced over a period of years to revive and extend for a period of 17 years from the date of passage of the act, a number of long-since-expired patents originally granted to Elbert R. Robinson, deceased. The purpose of the legislation was to provide means for possible compensation to some thousands of noteholders who had supplied funds to Robinson to carry on suits charging infringement of the patent. Because these noteholders were hopeful of receiving some return on their notes, and were paying fees or contributing money for this end, the Committee on Patents wished to settle the situation once and for all.

2. BILLS INTRODUCED

a. Bills introduced in the 74th and 75th Congresses

H.R. 8015, May 10, 1935 (Mr. Reed), 74th Congress.
H.R. 12982, June 15, 1936 (Mr. Reed), 74th Congress.
S. 4783, June 16, 1936 (Mr. J. H. Lewis), 74th Congress.
H.R. 5748, March 17, 1937 (Mr. Reed), 75th Congress.
H.R. 6980, May 11, 1937 (Mr. Andresen), 75th Congress.
H.R. 6009, March 30, 1937 (Mr. Andresen), 75th Congress.
S. 2908, August 4, 1937 (Mr. J. H. Lewis), 75th Congress.
No action was taken on any of these bills.

b. H.R. 7685, September 25, 1939 (Mr. Reed), 76th Congress

H.R. 7685 provided that letters patent originally issued to Robinson be "revived and extended in the names of Steve Kalisz and Stella Lakomski, * * * present owners of the same, for further periods of 17 years each from the effective date of this act * * *."

c. H.R. 9341, April 10, 1940 (Mr. Maciejewski), 76th Congress

H.R. 9341 provided that the letters patent "be revived and extended in the name of John T. Hanisch, John J. Komaracki (et al.) * * * each individually and as a fully appointed member of a committee representing some 760 other holders of E. R. Robinson notes for the use and benefit of the said noteholders in proportion to the amount of notes which they hold and for the use and benefit of any other noteholders as their interests may appear, for further periods of 17 years each from their respective dates of their expiration."

3. HEARINGS

Hearings were held May 17, 1940, on H.R. 7685 and H.R. 9341, before a subcommittee of the Committee on Patents of the House of Representatives.

Witnesses included the following:

(1) *Hugo Radau*, Chicago (pp. 3–8), representing Steve Kalisz and Stella Lakomski, owners of five patents originally issued to Elbert R. Robinson, testified in favor of extending the patents. He described how the Car Wheel Association, composed exclusively of Elbert R. Robinson noteholders, got title to the patents and would transfer 49 percent of whatever amount might be recovered, if they were successful at getting this legislation enacted, to the Car Wheel Association.

Representative Edelstein asked,

> What was done in order to have that association to get 49 percent?

Dr. Radau replied:

> The owners of these patents by themselves, that is, Mr. Kalisz and Mrs. Lakomski transferred at their own free will, without any remuneration, and without any promise at all to these noteholders, because it is a fact, the reason why they did, all of them, Robinson in his lifetime did issue these notes which are really all outlawed and do not amount to a row of pins, and he collected about $2,500,000 from people that are very poor. If they have to spend a dollar they feel it. The American Car & Foundry Co., which has used these patents from the very beginning, of course, made an awful pile of money. The noteholders consider, "Well, we contributed $2,500,000 to the inventor, to the patentee, who got at least something, and we did not get a cent, and the notes are bad." We cannot do anything unless somebody buys up the patents for what they are worth. It is only the title. The patents became public property, and they help us save at least some of

the money which we invested. Kalisz and Lakomski did do that. They bought up these patents from the heirs of Stanley Hoffman, and they are here asking this committee to renew them. So, they are willing, although they paid their own money for these patents, to give 49 percent if anything is recovered. We have not gotten anything yet, but if anything is recovered, 49 percent goes to the noteholders.

(2) *Steve Kalisz,* (pp. 8–13) was questioned about the financial arrangements of the Car Wheel Association. There was an initiation charge of $3 per member and a charge of $1.50 every month. Mr. Edelstein commented that to organize an association and get a $3 initiation fee and a $1.50 a month from—

each one of these persons with the hope that a bill might be passed * * * does not appeal to me, and I have been practicing law in New York where we have a large foreign element, and in my opinion it is simply not right.

(3) *Representative Anthony F. Maciejewski* (pp. 13–14) said:

My main object in introducing this bill is to try to stop those collections of money throughout my entire district. There was something like 9,000 original noteholders and the people claimed they had rights in this so-called patent or patents. Out of that I understand there are only 1,700 left. * * *

The statement was made that something like $2,500 000 has been collected. It was collected out of people of very small means, people out there that are poor. I am told that 80 percent of those people are hard-working people. Americans of Polish descent, and who are living on hopes that some day they might be able to get these moneys back that they have paid in there, and they continue giving, and giving, and for that reason, as I said, I would like to get a decision in my bill H.R. 9341, and regardless of how this committee is going to act on it I am going to give it proper publicity in that community and try to stop the collection of money once and for all.

(4) *John T. Hanisch* (pp. 14–16) told of the group he represented. They had no organization, nor dues, but voluntary contributions. He said:

Three-fourths of the people in the organization have the original Robinson notes, that is, they bought the notes originally from him. Others bought them through other hands. I bought my own through other hands. The purpose of my being here is that we want to clear this thing up once and for all. It is getting to be an awful mess. It smells from afar, and if nobody does anything about it now this thing will grow into one of the biggest rackets, as big as the Drake estate.

Mr. EDELSTEIN. When you say it smells you mean that people are being pepped up with the idea that sometime they will realize on it?

Mr. HANISCH. Yes, sir; they have faint ideas that they will realize on what they contribute.

Mr. MACIEJEWSKI. You do want to see this thing finished right now?

Mr. HANISCH. Yes; I would like to see it finished now.

Mr. MACIEJEWSKI. You want to report back to them that there is no chance and no use spending any more money foolishly?

Mr. HANISCH. Yes, sir; that is just it.

(5) *Conway P. Coe*, Commissioner of Patents (pp. 17–19), sent a letter, saying:

> The patents involved expired in 1924, 1925, and 1931, respectively, and the inventions covered thereby have for years been free to the use of anyone. To now revive these patents and establish in certain individuals a monopoly giving them the right to exclude others from making, using, or selling the devices forming the subject matter thereof would inevitably result in injury to the public generally. The bill is subject to the well-known objections to the extension of the patent monopoly beyond the usual statutory period, and does not set forth any circumstances which, to my mind, would justify the extraordinary relief sought.
>
> The enactment of this bill, in my opinion, would establish a dangerous precedent. There would undoubtedly follow a flood of requests for similar legislative relief which, if granted, would lead to utter chaos and confusion in the patent system and in industry generally.

4. COMMITTEE ACTION

The House Committee on the Judiciary issued two adverse reports on July 21, 1940 (H. Rept. 2691 and H. Rept. 2692), on H.R. 9341 and H.R. 7685 respectively. The committee referred to the hearings, noting the several distinct groups, each claiming the right to these expired patents, each seeking to gain their revival and extension, and charging dues or receiving contributions for that purpose. They felt that to withdraw these patents from the public and reinvest them in private ownership would be contrary to public policy, harmful to the general interest, and a dangerous precedent to set.

The committee issued the adverse reports because it had been developed in the hearings that the collection of funds to prosecute the passage of the bills savored of being a racket, and the committee wanted to discourage further collections.

APPENDIXES

APPENDIX A

Rules and Regulations Relating to Patentable Inventions of Employees of the National Advisory Committee For Aeronautics

Attachments:

(1) Administrative Order No. 5 of the Government Patents Board approved April 26, 1951 (16 F.R. 3927).

(2) Form NAVEXOS–2374 (Rev. 4–51), Record of Invention and Instructions for Preparation thereof.

(3) Form NAVEXOS–2375 (Rev. 1–47), Disclosure of Invention.

1. *Executive Order 10096.*—By Executive Order 10096 dated January 23, 1950 (15 F.R. 389), the President established a basic Government patent policy with respect to the inventions made by employees of the Federal Government under which the Government may, under certain conditions, acquire title to inventions made by its employees under other conditions. Determination by a Government agency that the Government has or is to take less than full title to an invention is subject to approval by the Chairman of the Government Patents Board established under this order.

2. With a view to obtaining uniform application of the policy set out in this order and uniform organization thereunder, the Chairman of the Government Patents Board is authorized and directed, after consultation with the Board, to formulate and submit to the President for approval such proposed rules and regulations as may be necessary or desirable to implement and effectuate the policies established. Each Government agency is also required to take all steps appropriate to effectuate the order, including the promulgation of necessary regulations which shall not be inconsistent with those approved by the President.

3. *Government Patents Board implementing rules and regulations.*—On April 26, 1951, the President approved certain rules and regulations under Executive Order 10096 which have been issued as Administrative Order No. 5 of the Government Patents Board (16 F.R. 3927), attachment (1). These rules and regulations in section 6 thereof, restate the basic Government patent policy established by the President; and in this section and certain others set forth the responsibilities of Government agencies. The agency responsibilities, among others, include determination of invention, determination of rights in inventions, determination of whether patent protection will be sought in the United States, and the furnishing of certain reports.

4. *NACA responsibilities.*—In carrying out these agency responsibilities for the National Advisory Committee for Aeronautics, NACA

headquarters will be responsible for and with the assistance of patent counsel made available by the Department of the Navy or other appropriate agency, will discharge the following functions:

(*a*) Determine whether the results of research, development, or other activity within the National Advisory Committee for Aeronautics constitute invention within the purview of Executive Order 10096;

(*b*) Determine, subject to review by the Chairman of the Government Patents Board, the respective rights of the Government and of the inventor in and to any invention made by an employee of the National Advisory Committee for Aeronautics;

(*c*) Determine, subject to certain exceptions noted hereinafter, whether patent protection will be sought in the United States by the National Advisory Committee for Aeronautics for such inventions; and

(*d*) Furnish reports as required to the Chairman of the Government Patents Board relating to the determination of rights, the taking of appeals, the filing of applications, and the issuance of patents.

DETERMINATION AND ASSERTION OF RIGHTS

5. *Conditions for assignment.*—The National Advisory Committee for Aeronautics may require assignment of title to inventions made by its employees and to patents that may be issued on such inventions if any of the following conditions are present:

(*a*) If the invention was made during working hours; or

(*b*) If the invention was made with a contribution by the Government of facilities, equipment, materials, funds, or information, or of the time or services of other Government employees on official duty; or

(*c*) If the invention bears a direct relation to or was made in consequence of the official duties of the inventor.

6. *Definitions of conditions.*—In determining whether a condition set forth above was present in the making of the invention, the following definitions shall apply:

(*a*) Working hours shall mean time spent during either the usual working hours, overtime, or both;

(*b*) A contribution of facilities shall mean that the facilities were used in the making of the invention and while so used were made unavailable for other purposes;

(*c*) A contribution of equipment shall mean that the equipment was used in the making of the invention and was thus made unavailable for other purposes;

(*d*) A contribution of materials shall mean that the materials were specifically obtained and used for the purpose of making the invention and were thus rendered unavailable for other use;

(*e*) A contribution of funds shall mean that Government funds were actually expended for the purpose of making the invention;

(*f*) A contribution of information shall mean that the information used in the making of the invention was available only by reason of the inventor's official duties and was obtained from sources not otherwise available;

(*g*) A contribution of time or services of other Government employees on official duty shall mean that their time or services were utilized during working hours as defined in (*a*) above;