

NSL

FEDERAL COUNCIL FOR SCIENCE AND TECHNOLOGY
COMMITTEE ON GOVERNMENT PATENT POLICY
U.S. DEPARTMENT OF COMMERCE BUILDING
WASHINGTON, D.C. 20230

PATENT BRANCH, OGC
DHEW

COMMITTEE ON GOVERNMENT PATENT POLICY

SEP 22 1976

Minutes of Meeting - July 27, 1976

The meeting convened at 9 a.m. in Board Room 540, National Science Foundation, 1800 G Street, N.W., Washington, D. C.

Attendees

Committee on Government Patent Policy

Members Present

Dr. Betsy Ancker-Johnson, Chairman	DOC
Philip G. Read, Vice Chairman	GSA
Leonard Rawicz for James Wilderotter	ERDA
Nelson Getshell for Dr. Michael Palansch	USDA
Walter Henderson for Dale R. Babione	DOD
Dr. Lowell Harmison	HEW
Donald Fraser for Moody R. Tidwell, III	DOI
Donald Farmer for Bruce B. Wilson	DOJ
Harvey J. Winter for Joel W. Biller	DOS
Barnett Ancelet	DOT
Gerald Mossinghoff for S. Neil Hosenball	NASA
Thomas F. Engelhardt for Howard K. Shapar	NRC
Charles F. Brown	NSF
C. Marshall Dann	PTO

Members Absent

Douglas M. Parker	HUD
C. Richard Boehlert	EPA

Observers Absent

William C. Bartley	OSTP
Hugh Witt	OFPP
Charles Goodwin, Alternate	OFPP

Executive Secretary

O. A. Neumann	DOC
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Executive Subcommittee

Members Present

James E. Denny, Chairman	ERDA
M. Howard Silverstein	USDA
Barry L. Grossman for Robert B. Ellert	DOC
Joseph E. Ruz	AF
William G. Gapcynski	Army
William O. Quesenberry	Navy
Norman J. Latker	HEW
Miles F. Ryan, Jr.	DOJ
Robert F. Kempf	NASA
Jerry A. Cooke	NRC
John H. Raubitschek	NSF

Observer Present

Maxwell C. Freudenberg	DSA
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Guests Present

Thomas Malech	EPA
John Crook	DOS
Edith Stringer	CSC
Thomas Moyer	CSC
Alphons Kwitnieski	Navy

Members Absent

Harold P. Deeley, Jr.	DOT
Benjamin Bochenek	EPA

Observers Absent

Jan W. Miller	AID
Abraham R. Richstein, Alternate	AID
Robert J. Bladergroen	CIA
Robert L. Malech	HUD
Forest D. Montgomery	Treasury
Luther A. Marsh	Postal Service
Lewis E. Wallace	TVA

INTRODUCTORY REMARKS

Dr. Ancker-Johnson opened the meeting by asking the members and guests to introduce themselves.

The Chairman warmly thanked the ad hoc Drafting Committee and the Executive Subcommittee for the draft Federal Intellectual Property Legislation they prepared.

The Chairman noted that the meeting would likely be recorded as the most important meeting in the history of the Committee on Government Patent Policy.

She thanked the Committee members for their comments on the draft and made sure all members had submitted comments. She observed that these comments fell within two categories; those that were non-controversial which would be used to improve the draft before the Committee, and also 12 substantive issues requiring discussion and policy decisions by the Committee.

The Department of Justice memorandum dated July 23, 1976 was referred to as the Chairman specifically noted the third and sixth introductory paragraphs. She expressed appreciation for the good working relationship with the Justice representatives and said the recommendation regarding the Council on International Economic Property would surely be implemented shortly.

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At this point, the Executive Secretary distributed the list of major substantive issues that the Chairman believed should be discussed and considered by the Committee. In response to the question of whether there was agreement that her selection comprised the full list of policy issues remaining to be resolved before the drafting was completed, Mr. Anceletz referred to Mr. Goodwin's two-page letter and noted Mr. Goodwin seemed to question the merits of proceeding with the July 2, 1976 draft.

Mr. Read advised that the work of the Executive Subcommittee was done at the request of the Committee to draft legislation in accordance with the policy concepts and guidelines unanimously approved by the Committee membership.

Mr. Denny agreed with Mr. Read and further advised that the Committee, after being presented with three different options as to how it might proceed, opted for the policy concept which is incorporated in the July 2, 1976 draft.

The Executive Secretary noted that the explanatory letter which is to accompany the Bill will provide the background showing the need and desirability of proceeding with the Omnibus Administration Bill.

DISCUSSION OF THE MAJOR POLICY ISSUES

1. Section 201, page 5. Should the FCCSET be responsible for the functions of FCCIP ("Council")? (Commerce, FCCSET, OFPP).

The Chairman referred to her memorandum dated July 26, 1976 concerning the proposal to revise the section as suggested.

After a discussion of the proposal, Commissioner Dann MOVED that the revisions suggested by the chair be approved.

Mr. Rawicz queried whether or not the Committee on Intellectual Property ought to be provided for in the proposed legislation. Dr. Ancker-Johnson believed that this was not necessary because the existing Committee on Government Patent Policy would continue under the FCCSET as the Committee on Intellectual Property once OSTP is in action.

Dr. Harmison seconded the motion which carried unanimously.

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2. Section 324, page 18. Should the responsibility for Employee Invention Regulations be assigned to the Patent and Trademark Office? (GSA)

Mr. Read stated he believed it necessary to name the Federal agencies who are to issue the regulations implementing the various Titles of the Bill. He advised that some Federal agency should be selected. Commissioner Dann agreed and stated that the Patent and Trademark Office has had the responsibility and would continue to unless it is specifically placed in another Federal agency. Mr. Rawicz stated that while the present arrangement has been satisfactory, he believed that perhaps the Civil Service Commission might be a better place for it. Commissioner Dann stated that the Civil Service Commission does not have the required expertise.

Following the discussion, Dr. Harmison MOVED that the responsibility for the issuance of regulations covering Federal employee inventions be assigned to the Patent and Trademark Office. Mr. Read seconded the motion.

Messrs. Mossinghoff and Raubitschek stated that the July 2 draft provides flexibility and would permit any Federal agency to be made responsible for Federal employee invention rights determinations and to issue the regulations.

The Chairman noted a modified revision suggested by Commissioner Dann; namely, that on page 18, line 27

before the word "where", the words -- issued by the Commissioner of the Patent and Trademark Office -- be inserted.

Dr. Harmison's motion was approved as follows:

FOR - DOI, HEW, DOS, DOD, GSA, and PTO.
AGAINST - NRC, NSF, ERDA, and NASA.
ABSTAINED - USDA, DOJ, and DOT.

The Chairman then asked the Committee to consider the following issues:

3. Section 202, page 6. Should the Board(s) exist? (OFPP).
- and If so, where should the Board(s) be located organizationally,
4. and what should be its make up? (OFPP, GSA); and
5. Section 312.(c), page 14. Should the Agencies have a case-by-case deviation authority? (Commerce).

Starting with the question of whether the Board should exist, the Chairman noted that the Board has three specific functions; i.e., (1) employee rights, (2) march-in rights, and (3) deviations.

Dr. Ancker-Johnson asked Mr. Denny to provide some background about the Board; i.e., what the drafting group and the Executive Subcommittee had in mind. Mr. Denny noted that the draft bill of the Commission on Government Procurement provided for an independent agency-type Board. He advised that the Bill is drafted very loosely to provide sufficient flexibility so that the Board could take any form deemed desirable. Mr. Latker referring to Mr. Goodwin's letter regarding the Board, stated that he believes Mr. Goodwin's comments are inconsistent: On the one hand, arbitrarily the march-in is the equivalent of a "contract dispute"; and on the other, "new functions" hardly fit subjects for "contract disputes".

The Chairman focussed the Committee's attention on the deviation section by noting that the Committee had several options -

- (1) The Committee could leave Section 312.(c) as it is;
- (2) The Board only could be given deviation authority;
- (3) Only the Head of the Federal agency could deviate;
- (4) The Committee on Intellectual Property could approve deviations; or
- (5) The Head of the Federal agency could deviate, and the Committee on Intellectual Property could recommend class deviations for approval by OFPP, and Inserted by way of amendment in the FPR and ASPR.

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A discussion of the case-by-case deviations ensued. Mr. Henderson expressed the belief that deviations would be rarely sought and so he would like to see the Head of the Federal agency retain this flexibility, rather than place the authority in a Board. Commissioner Dann pointed out that the deviation in 312.(c)(1) was so broad that it could be interpreted in negating the whole concept and a Government-wide uniform policy.

Dr. Ancker-Johnson stated that perhaps in order to retain the desired flexibility, the Head of the Federal agency should be required to document its position and the rationale therefor, and make it available for review and publication so that GAO might guard against obvious abuses of the deviation section. Mr. Read noted that under the FPR arrangement, case-by-case deviations are permitted.

Dr. Harmison stated that a Federal agency Head should be able to deviate inasmuch as the agency's mission requires deviation. In addition, as long as there is a method of providing accountability, such as a GAO oversight report or the like, this should suffice.

Mr. Farmer believed that flexibility should remain in the Federal agency. However, he did not believe that deviations from the march-in rights would be necessary to maintain patent incentives for the contractor.

Dr. Harmison noted that there may be contracting situations where the Federal agency may wish to deviate from the normal clause by acquiring title to resulting inventions.

Commissioner Dann MOVED that Section 312.(c) be revised as follows:

In line 25, insert the words -- on a case-by-case basis -- after the word "deviate"; and
in line 34, insert the words -- and publication -- after the word "review".

Mr. Henderson seconded the motion.

Mr. Anceletz believed that the Secretary of a Federal agency ought to be able to deviate on a class basis. Mr. Read noted that this is not permissible under the FPR and did not believe it to be desirable.

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Dr. Harmison noted that this may reflect on the creditability of the Heads of Federal agencies. Commissioner Dann advised that this Bill is an attempt to bring greater consistency in the practices of the Federal agencies and that the Bill sets forth principles that are to be applicable Government-wide. Mr. Anceletz believed that there are existing remedies for arbitrary action.

Mr. Read stated the reason for discussing deviations at all is to show that one must allow for them but believed deviations could be treated by the regulations.

Dr. Harmison MOVED to amend the motion to eliminate the suggested added language of "on a case-by-case basis". Commissioner Dann did not accept this amendment to his motion and it failed for lack of a second.

Dr. Harmison then MOVED that the Head of a Federal agency be defined as the Secretary level. Mr. Anceletz seconded the motion. Mr. Henderson noted that if one were to go to the Secretary of Defense to consider such matters, it would be quicker to go to a Board. Dr. Harmison noted that the authority could be delegated. On a vote of Dr. Harmison's motion, DOT, NSF, and HEW voted FOR, and the remaining agencies voted AGAINST. On a vote of the Commissioner's motion which carried, DOT and HEW voted AGAINST, and NSF ABSTAINED.

Mr. Farmer MOVED that Section 312.(c) not permit a waiver of any march-in rights. Mr. Denny noted that there are special contracting situations where march-in provisions should not be applicable. No second to this motion was made.

Mr. Rawicz MOVED that on page 14, line 31, "subparagraph 311.(b)(2)(E)" should be changed to "subparagraph 311.(b)(2)(A) through (E)". Mr. Farmer seconded the motion. Following discussion, the motion did not carry with only DOT, DOJ and ERDA voting FOR.

Mr. Farmer MOVED that on page 9, line 20, the words -- The right to acquire -- be inserted following (B). No second was made to the motion.

Mr. Farmer MOVED that the antitrust march-in rights of paragraph (E) not be waived under any circumstance. Mr. Rawicz seconded the motion which carried unanimously except for HEW who abstained.

The Chairman directed the Committee back to the question of whether a Board should exist. No one spoke against the Board. Accordingly, the question was considered mooted.

The Committee then discussed where the Board should be located organizationally. Mr. Read believed it would improve the Bill if it specifically identified the organization. As the draft stands, the Board arises in several areas:

- (1) Employee rights determinations. Commissioner Dann noted that, as a result of the vote on issue 2, the Patent and Trademark Office would make the determinations, and unless it were decided otherwise, consider any appeals.
- (2) Appeals regarding march-in rights [Mr. Read noted that the draft legislation was flexible enough to allow appeals to go to the Board of Contract Appeals]; and
- (3) Deviations on a class basis [The Executive Secretary noted that a new Board would have to be created unless the class deviations were recommended by the Committee on Intellectual Property, approved by OFPP, and inserted by way of amendments in the FPR and ASPR].

Mr. Read stated that the Executive Subcommittee's arrival at the situation of not specifically identifying the Board, was due to a lack of agreement on what the make up of the Board ought to be. The Chairman noted that the draft legislation called for the Director of OSTP to be ultimately responsible for the Board(s) and in the absence of a motion to amend the draft, directed the Committee to the next issue.

6. Section 311.(b)(2)(B), page 9. Should the Government's licensing rights be expanded to cover licensing of Less Developed Countries? (DOS).

Mr. Winter spoke to the proposal and a discussion ensued.

The point was made that if the contractor does not file, the Government may, and the Department of State would have the right to do what it deemed necessary with respect to the LDC's. Further, where the contractor filed a patent application, the "C" march-in on nonuse should satisfy the DOS position.

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The question of whether or not the march-in rights applied to foreign countries was raised. Mr. Denny stated that march-in regarding antitrust laws was not intended to be applied in foreign countries. He suggested that perhaps the DOS suggestion should be accommodated under the "C" march-in right.

Mr. Winter stated that DOS is interested in broadening the language of Section 311.(b)(2)(B) to include foreign parties. The problem is that the contractor may have obtained patent protection in an LDC, and the contractor may not wish to work the invention in that particular country.

Mr. Winter MOVED that the word -- party -- be inserted after the word "foreign", and that the phrase [government pursuant to any existing or future treaty or agreement] be deleted. Subparagraph (C) would show through legislative history the concept of the DOS proposal. Commissioner Dann seconded the motion.

Mr. Read noted that apparently DOS feels a foreign party should be permitted to manufacture and sell a Subject Invention in the LDC's, notwithstanding the issuance of a patent in the LDC which is owned by the contractor.

Mr. Henderson noted the problems relating to the DOD bilateral agreements.

The vote taken on the motion did not carry with only the PTO and DOS in favor of the motion.

7. Section 311.(b)(2)(C), page 10. Should Section 311.(b)(2)(C) be broadened expressly to authorize march-in if the patent owner is not satisfying the market at a reasonable price? (NSF).

Mr. Raubitschek spoke to the issue. He queried if the Bill as drafted in fact constitutes a beefed up march-in right provision. He MOVED that the words -- achieve practical application -- be inserted after the words "effective steps to", and to delete the words [commercialize or otherwise achieve utilization by the public]. Mr. Rawicz seconded the motion which carried. The vote was as follows:

FOR - NRC, DOT, DOJ, ERDA, NASA, NSF, and GSA.

AGAINST - HEW

ABSTAINED - PTO, DOI, USDA, and DOD.

8. Section 311.(b)(2)(E), page 11, and other areas. Should the phrase "substantially to lessen competition or" be deleted from the march-in rights? (USDA).

Mr. Getshell spoke to this policy issue. He noted that the language seems to be a deterrent to a contractor who attempts to move out and commercialize an invention.

Mr. Denny noted that the language came from ERDA and the meaning attributed to the words is set forth in the Conference Report on S.1283. He advised that these words are intended to reflect the antitrust violation situations spelled out in prior Court decisions which have found an antitrust violation. Mr. Farmer agreed with Mr. Denny's concept on how the words are to be interpreted. Mr. Farmer further noted that the words would tend to balance the patent and antitrust positions of two seemingly opposing laws.

Mr. Getshell was satisfied as long as the legislative history shows the meaning of this section.

9. Section 311.(b)(2)(f), page 12. Should the guaranteed period of exclusivity be shortened? (DOJ).

Mr. Farmer spoke to this policy issue.

Mr. Denny reviewed why the drafting group chose the time periods which are in the draft. He noted that the Executive Subcommittee started out with a 5-year and 3-year period as suggested, but the march-in rights provisions were not to be applicable during this so-called "guaranteed" period of time. When the period was lengthened to 10 and 5 years, the march-in rights were made applicable immediately.

Mr. Latker noted that the periods selected, at first blush, look purely subjective; however, they are actually based upon considerable experience in the patent licensing area. He specifically noted the Research Corporation's experience with inventions arising from nonprofit institutions. He also believes that the 10 and 5 year periods would cover more situations for whatever would be required by the contractors for effective commercialization. Mr. Raubitschek agreed with Mr. Latker's views and stated he has had several requests from grantees and contractors for at least a five-year commercialization period. Mr. Denny noted that the draft would have been totally different if the shorter period had formed the basis for the proposal before the Committee.

Mr. Farmer MOVED that the DOJ amendment #2 be adopted. Mr. Anceletz seconded the motion which did not carry with only DOT, DOJ and ERDA voting FOR.

10. Section 311, page 8. Should GOCO's be excluded from the single patent rights clause? (NASA).

Mr. Mossinghoff stated that NASA may have no problem in that the implementing regulation could take care of this situation. He advised if the GOCO has an aggressive licensing program, then this may be sufficient to permit the GOCO to retain the same rights as any other contractor.

Mr. Read noted that the Committee on Intellectual Property could recommend deviations through the FCCSET.

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Mr. Mossinghoff MOVED that the drafting committee take care of GOCO's by adding an additional subparagraph under Section 312.(c)(2). Commissioner Dann seconded the motion which carried unanimously with HEW abstaining.

This amendment stimulated further discussion about the Board. The Chairman noted that the Board could be appointed on an ad hoc or as-needed basis, and could be appointed from the members of the Committee on Intellectual Property if the Director of OSTP so decided.

11. New Section, page 21. Should the agencies have discretion to share royalties with their employees? (HEW).

Mr. Latker spoke to this policy issue, noting that the awards section does not always adequately take care of the Federal employee inventor. He MOVED that the proposed new Section 327 be included in the Bill. Mr. Farmer seconded the motion.

Mr. Mossinghoff stated that as long as the legislative history shows that this is discretionary with the agencies, NASA could go along with it. It was noted that the word "may" appears to make it discretionary. NASA and DOD could then withdraw their objections to the royalty-sharing section.

Mr. Getshell amended Mr. Latker's motion, with the latter's permission, by deleting the last sentence of his proposed language, [The amount paid to the employee inventor from such income may not exceed 20% of the total income accruing from the invention.].

The motion carried with DOD opposing and NASA abstaining.

12. Section 402.(d), page 24. Should Commerce be authorized to fund domestic patent applications filed and administered by other agencies? (DOC, HEW).

Commissioner Dann MOVED that on page 24, line 2, the words -- the United States and in -- should be inserted after the words "on inventions in". Mr. Latker seconded the motion.

A discussion of the motion ensued. Mr. Latker noted that the language is drafted to provide that a Federal agency need not accept the funds if they do not wish to do so.

A vote on the motion was unanimous.

TASK OF DRAFTING AND EDITING GROUP

It was the consensus of the Committee that the drafting and editing group should consider all the submitted "editorial" comments not discussed by the Committee during this meeting and adopt them.

Mr. Neumann noted the need to prepare (1) a comprehensive revision of the Bill, (2) a sectional analysis by the Executive Subcommittee, (3) an explanatory letter, and (4) a speaker letter. He noted that if the Bill is to be introduced in this session of Congress, OMB indicated it would be necessary to obtain official clearance by September 15, 1976. This will require the submission to OMB of the four items noted by August 15 for official circulation to the Heads of the Federal agencies. In addition, all comments received by OMB would be due on or before September 1 and accommodated as appropriate by September 15.

The Chairman summarized the meeting by noting that the Committee had indeed accomplished its mission by resolving every issue so that this schedule appeared well within grasp. She further noted that if the President did not sponsor the Bill, OSTP is prepared to do so.

The meeting adjourned at 3:20 p.m.



O. A. Neumann
Executive Secretary