since he will have a jump on others in terms of the technical know-how behind the invention.[24]

An Alternate Approach

If evaluation of experience under the revised Presidential policy indicates a need for further policy revisions, we urge consideration of an alternative approach generally allowing contractors to obtain commercial rights but subjecting these rights to a strengthened "march-in" procedure. Such an approach was developed in detail and recommended by our Study Groups and staff during the study phase of our activities.

The alternate approach involves the repeal of all existing legislation concerning the disposition of rights in inventions made under Government contracts. This legislation would be replaced by a statute of Government-wide application. We believe uniformity is practical and desirable. Since this alternate policy is not compatible with current legislation, repeal of that legislation would be necessary. New positive legislation would be needed, as it would be difficult to implement the alternate approach on a strictly administrative basis.

In presenting this alternate approach, we recognize the dilemma involved. The path to comprehensive patent policy legislation is fraught with obstacles. Experience indicates that a broad patent statute is extremely difficult to enact, as shown by unsuccessful efforts in past years.

We have not proposed a time limit for testing the efficacy of the Presidential policy. Wide differences of opinion as to how well it is working may make assessment difficult.

The primary purposes of the statutory alternative are to establish (1) a stronger policy of promoting the commercial exploitation of patentable inventions arising under Government contracts; (2) greater uniformity in Government agency execution of this policy; and (3) a special board to administer the Government's march-in rights. Enactment of a general statute would require the repeal of existing statutory provisions applicable to the Atomic Energy Commission, the National Aeronautics and Space Administration, and several other Government agencies. These existing provisions reflect a desire to prevent monopoly control or undue private enrichment in the use of inventions made possible by public expenditures. We believe that a new general statute, if enacted, should take explicit account of such concern.

The terms of the legislation should strike a reasonable balance between the public and private equities involved and recognize the multiple values embodied in the public interest. The public will benefit from a patent policy which not only promotes commercial applications of the patents, but also insures maximum public benefits from the expenditure of public funds.

The alternate approach reflects reservations which have been expressed with the requirement of the Presidential policy that the Government take principal rights in each of the four classes of situations listed in section 1(a). The alternative would allow the contractor or inventor commercial rights at the outset except in two situations where it appears that the granting of commercial rights to contractors would not promote or be necessary to promote utilization. The first such situation is where it is the intention of the Government to fund the inventions made under a contract to the point of commercial application. Here there is no real need or equity in allowing the contractor to obtain commercial rights. Secondly, if the contract is with an educational or other nonprofit organization utilization would not be fostered by granting the contractor title unless it was determined that inventions likely to flow from a given contract will be promoted in a manner consistent with the objectives of utilization and maintenance of competition.

Another situation under the Presidential policy where the Government normally takes title at the time of contracting is where it is expected that use of inventions will be required by Federal regulation, as might be the case, for example with research into improved antipollution devices for automobiles. In such cases, there would be no need for patent incentives to ensure utilization. It is unlikely

[24] A few agencies have already initiated exclusive licensing programs. One of these is HEW. Under its program the only exclusive license issued to date went to the developing contractor. See *Drug Research Report*, vol. 14, no. 15, Apr. 14, 1971.

that the inventions that may fall out of a particular research effort will later be required for use by regulation. Accordingly, under the alternative policy, this would not be the basis for the Government to take commercial rights in inventions. Instead the Government "march-in" rights would apply in such situations. The "march-in" rights procedures under the alternate policy are developed more fully below.

In all cases, the Government would retain, as it presently does, a royalty-free, nonexclusive license for use of the invention for governmental purposes. In return for allowing contractors to generally obtain exclusive commercial rights; and in lieu of a policy placing primary reliance on deferred or after-the-fact determinations and exclusive licensing, the alternate policy would establish a strengthened system of march-in rights, including, possibly, the recovery of governmental investment, to safeguard the public interest. Safeguards would be built into the policy to ensure that utilization does occur, that it occurs on reasonable terms, and that the public's equity in the invention is recognized.

As part of the alternate approach, a central agency would be established and designated the "Government Patent Review Board," to administer the march-in rights retained by the Government. The Government, through the Board, would retain the right to require compulsory licensing of inventions made under its contracts (1) after the contractor had been given a reasonable opportunity to develop the invention commercially and had failed to do so, and (2) where he had developed the invention, but refused to either sell or license it on reasonable terms. The current Presidential policy would apply to inventions necessary to fulfill health or safety needs or required for use by governmental regulations. Thus, there would be no time limit on the exercise of the Government's march-in rights in such cases.

The Board would also be empowered to revoke all rights of the contractor if he (1) failed to disclose an invention promptly, (2) supplied materially false information concerning the invention, or (3) used the patent on the invention in such a way as to violate the antitrust laws.

Consideration could be given to developing a mechanism to prevent unconscionable profits on inventions made under Government contracts. The Board could be empowered to require payments to the United States from the contractor out of any profits on an invention so as to recognize the relative equities of the public and the contractor. However, there are many difficult problems to be worked out in developing such a mechanism, and there are no such provisions in the draft legislation at Appendix A.

Initially, the Board's workload would be minimal since it would be some time before patents subject to the Board's jurisdiction would begin to be issued. To fill this initial void, the Board could be assigned responsibility for the development of implementing rules and regulations under such legislation as is enacted to implement the alternate approach. The Board could take the lead in coordinating efforts to develop uniform contractual clauses and procedures. Possibly, also, the Board could be assigned responsibilities in the related area of Government employee inventions, since many of the policy considerations and the need for "march-in" rights appear to be analogous. As this phase of patent policy, presently governed by Executive Orders 10096[25] and 10930,[26] is beyond the scope of our charter, we have not conducted any studies in this area.

Consideration was given to the placement of the Board within the framework of an existing agency such as the Department of Commerce. Due to the rather narrow scope of its functions and its primarily quasi-judicial function, this was felt impractical.

USE OF PATENTED INVENTIONS BY OR FOR THE GOVERNMENT

A second major area of concern with respect to Government patent policy centers on the infringement of privately held patents by the Government or its contractors or subcontractors. For example, the Government may award a contract for the design and production of a piece of electronic equipment. The most effective way of designing and producing the equip-

[25] 3 CFR, 1949–53 Comp., at 292.

[26] 3 CFR, 1959–63 Comp., at 456. Executive Orders 10096 and 10930 are included in the notes to 35 U.S.C. ch. 27 (1970).