DRAFT LETTER
ACE/STEINBACH
2/11/82

The Honorable (Fuqua/Winn/Kastenmeier/Railsback)
U.S. House of Representatives
Washington, DC 20515

Dear _____:

On behalf of the American Council on Education, the Association of American Universities, the Association of American Medical Colleges, and the Council on Governmental Relations, representing all the colleges and universities that develop patentable processes under government funding, we would like to present our views on the Uniform Federal Research and Development Utilization Act of 1981, H.R. 4564, which pertains to the allocation of rights to inventions made under government contracts and grants.

In late 1980, Congress enacted Public Law 96-517, the Patent and Trademark Amendments of 1980, which established a badly needed uniform government-wide policy concerning the disposition of rights to inventions made by universities and small businesses under government grants and contracts. However, we have recently become concerned by actions initiated by the House Committee on Science and Technology that would repeal P.L. 96-517.

In broad strokes, the bill reported by the Committee, H.R. 4564, is intended to provide all government contractors with rights similar to those accorded universities and small businesses under P.L. 96-517. Unfortunately, it falls short of this goal because it does not entirely replicate the protections for universities found in the existing statute and is in a number of respects an unsatisfactory substitute for that law.

It is important to emphasize that we have no objection to efforts to provide an improved and more uniform policy respecting the rights of contractors not covered by the 1980 Act. However, there is no defensible reason why this objective requires the repeal of P.L. 96-517 and the consequent diminution of the position of the university community. It is our position that the amendment of P.L. 96-517 would preserve the position of universities and small businesses while creating the opportunity to include other government contractors.

Moreover, we have concerns with H.R. 4564, both as it was originally introduced and as it emerged from the mark-up by the Committee on Science and Technology. The abbreviated length of time between the bill's introduction and its consideration by the Committee afforded us little opportunity to present our views in a meaningful manner. We would therefore like to detail what we consider to be two of the new bill's more fundamental shortcomings.

Ownership and Rights of the Government

Section 301(a) of H.R. 4564 embodies unnecessarily broad exceptions to the fundamental general rule of allowing contractors to retain the first option to title. As proposed, this provision would virtually nullify any possibility that the bill would produce a uniform patent policy. P.L. 96-517 contains carefully written and limited exceptions to this basic tenant of ownership; conversely, the exceptions contained in H.R. 4564 are cast so broadly that they allow almost any agency to decide to take title in almost any case. This language would effectively return the whole issue of government patent policy to the individual agencies and accord them the latitude to develop separate and

uncoordinated policies. For example, Section 301(a)(2) seems to give the Department of Defense the right to take title at will; similarly, Section 301(a)(3) gives most civilian agencies such rights. Moreover, the provision pertaining to DNA research which grants the government rather than the university the right of first refusal to a patentable invention could impair the ultimate commercialization of one of the most significant current products of university-based biomedical research.

The existing statute places responsibility for the development of uniform regulations and a standard patent rights clause in the Office of Federal Procurement Policy (OFPP), which ~~is on the verge of issuing~~ a final Circular ~~which We have every reason to~~ believe will adequately implement the law and thus insure that the statutory mandate is fully achieved. Unfortunately, the initial draft of the proposed regulations prepared by NASA, DOE, and DOD proposed reporting, election, and forfeiture requirements that would have curtailed the viability of university licensing programs and undermined the basic objective of the Act. It was only the vigorous objections of dozens of universities and higher education associations that ultimately reversed the proposal. It is only understandable that the higher education community is not anxious to have to engage in that regulatory battle for a second time.

H.R. 4564 assigns the task of preparing the final regulations to NASA, DOD, and GSA; albeit GSA has no expertise in this area. Thus, for all practical purposes, the proposed statute would place the regulation-writing authority in the hands of the very agencies which have conclusively demonstrated that their primary interest is ~~in preserving~~ the status quo rather than in promoting the objectives of the law.

March-In-Rights

We strongly oppose the provision embodied in Section 304(b) that would permit third parties to initiate a march-in determination and hearing when the patent agency considers such an action justified. Granting third parties such power erodes the rights of contractors by enabling individuals or groups to second guess development progress on a given patent. Furthermore, license for such pressure tactics impairs the stability of the patent system without providing additional significant safeguards.

It is neither our desire to promote nor impede the consideration of a more effective and uniform policy applicable to all government contrators. However, we believe that the Congress has adequately and properly spoken vis-a-vis universities and small businesses. Therefore, we urge you to support the position of the university community that H.R. 4564 and any other legislation that comes before your Committee be amended, as necessary, so as to leave P.L. 96-517 intact.

We would appreciate the opportunity to meet with you and your staff to discuss these issues. For the purpose of arranging such a meeting, you can contact me at 833-4738.

Sincerely,

Sheldon Elliot Steinbach
General Counsel

SES:gfr