COMMITTEE ON GOVERNMENTAL RELATIONS
National Association of College and University Business Officers
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COGR 2

November 19, 1975

TO: Members of the Subcommittee on Patents, Copyrights, and Rights in Data

Mr. Howard W. Bremer
Mr. Lawrence Gilbert
Dr. George R. Holcomb
Mr. James Y. McDonald
Mr. Mark Owens, Jr.
Mr. Wallace C. Treibel
Mr. Joseph S. Warner
Dr. Edwin T. Yates

cc: Mr. R. L. Anderson
Mr. Clark A. McCartney

RE: Testimony at the Energy Research and Development Administration Hearings on Proposed Policies and Procedures on ERDA Patents, Data and Copyrights (41 CFR Part 9-9).

Mr. McCartney asked me to send you the enclosed copy of his testimony presented at noon today at hearings in Germantown, Maryland.

This is a compilation of the views of several members of the subcommittee, in particular Mark Owens and Edwin Yates.

Sincerely yours,

Dorothy Kolinsky
Staff Associate

enclosure

November 19, 1975

Testimony of Clark A. McCartney,
Chairman of the Subcommittee on Patents,
Copyrights, and Rights in Data, Committee
on Governmental Relations, National
Association of College and University
Business Officers

at the Energy Research and Development Administration Hearings
Germantown, Maryland

Oral presentation-- RE: Proposed policies and procedures on ERDA Patents, Data, and Copyrights (41 CFR Part 9-9).

The Committee on Governmental Relations represents 98 institutions of the National Association of College and University Business Officers, most of which have had long term experience in the transfer of technology to the private sector. During these hearings you will have heard testimony from many of these institutions regarding their experience in the transfer of technology covering diverse fields. On behalf of these institutions the Committee presents its views on your Administration's proposed patents, policies and procedures under Subpart A (paragraph 9-9.100 et seq). The introductory paragraph to subpart A states that "an important incentive in commercializing technology is that provided by the patent system. As set forth in these regulations, patent incentives, including ERDA's authority to waive the government's patent rights to the extent provided for by the statute, will be utilized in appropriate situations at the time of contracting to encourage industrial participation...." In reference to the term "to the extent provided for by the statute," we cite ERDA's authority to waive government patent rights that is contained in Section 9 of the Federal Non-nuclear Energy Research and Development Act of 1974. This section provides that

"(a) Whenever any invention is made or conceived in the course of or under any contract of the Administration, other than Nuclear Energy research, development, and demonstration pursuant to the Atomic Energy Act of 1954 (42 USC 2011 et seq.)
and the Administrator determines that-

...

"(c) Under such regulations in conformity with the provisions of this section as the Administrator shall prescribe, the Administrator may waive all or any part of the rights of the United States under this section with respect to any invention or class of inventions made or which may be made by any person or class of persons in the course of or under any contract of the Administration if he determines that the interests of the United States and the general public will best be served by such waiver.... In making such determinations, the Administrator shall have the following objectives.

...

" (11) in the case of a nonprofit educational institution, the extent to which such institution has a technology transfer capability and program, approved by the Administrator as being consistent with the applicable policies of this section."

Further, congressional intent on this section, is clarified by the statement that:

"The reference in subsection (d) (11) to nonprofit educational institutions with approved technology transfer capabilities and programs is included among other reasons to assure that these institutions would not be disqualified from consideration for a waiver due to a lack of established commercial position or manufacturing capability. The approval requirement in the subsection is designed to assure that such institutions do not become a conduit for avoidance of the safeguards provided throughout the section. There is no intention for other nonprofit or research institutions to meet any lesser standard than required of other applicants."

The proposed policies and procedures that the Administrator has announced in the October 15 Federal Register are the same requirements that are intended to be imposed on for-profit companies. These requirements of universities that they not only have an approved program for technology transfer but, as well, twelve other criteria, are inconsistent with the intent of Congress to provide special treatment to nonprofit educational institutions. We as universities surely cannot meet or even demonstrate such criteria.

The proposed advance waiver provision on a case-by-case basis ignores the fact that university policies invariably apply across the board and do not distinguish between fields of technology. This approach is wasteful of the time of the Administration and the universities in contract negotiations because of the documentation requirements of the proposed regulations.

Recognizing that a university either has or does not have an effective policy, case-by-case waiver determinations involve continual duplication of work.

As previously quoted, the proposed rules regarding the Administrator's authority to waive the government's patent rights in appropriate situations are not sufficiently definitive for Contracting Officers to arrive at a standard decision. Some will define narrowly an appropriate situation, others broadly. Such determinations will be critical to a university at the time of contracting since the university's track record in license technology will be a primary criterion in the determination by the Contracting Officer of whether to include a license or deferred contract clause.

The proposed rules do not recognize and are inconsistent with the proposals set forth in the July 1975 report of the University Patent Policy Ad Hoc Subcommittee of the Executive Subcommittee of the Committee on Government Patent Policy of the Federal Council for Science and Technology.

This report recommends that executive agencies adopt policies and rules recognizing that the public interest will generally be best served by permitting universities with technology transfer programs meeting the criteria spelled out in the report to retain title to inventions made under agency or administration research awards.

The conclusions of the Subcommittee Report are set forth below in brief:

A. Creation of university technology transfer capabilities should be encouraged.

B. Agreements permitting qualified universities to retain title to inventions would create an incentive to develop university technology transfer capabilities.

C. Additional benefits would flow if qualified universities retain principal rights to resulting inventions.

1. Recognition of Co-sponsor Equities [The Government often does not provide the total costs of a research project and funds from other sources must be used.]

2. Ease of Administration [Case-by-case decisions would be eliminated, reducing administrative work for both parties.]

3. Use of Royalties for Support of Scientific Research and Education [It would be in the public interest for universities to generate and retain income to cover their patent administrative costs and to support education and research from such income.]

4. Use of Management Capability for All Inventions [Universities would be able to use their management capabilities to transfer all their technology, whether Government-supported or not, thereby expanding utilization of inventions.]

5. Training of Further Technology Transfer Managers [If universities are permitted to retain rights to inventions, more personnel in the area of technology transfer will be trained.]

The Subcommittee specifically recommended adoption by all Government agencies of a policy permitting qualified universities to retain title in inventions under institutional patent agreements-

"It is recommended that the various executive agencies be advised to adopt policies and regulations recognizing that the public interest will normally best be served by allowing educational institutions with a technology transfer program meeting the general criteria set forth below to retain title to inventions made in the course of or under any Government grant or contract."

Furthermore, it is our opinion that rules and procedures should not be issued that require mandatory licensing of energy-related patents. The provisions of the Federal Non-nuclear Energy Research and Development Act of 1974 do not require mandatory licensing. As a matter of fact, we consider that mandatory licensing is at cross purposes with the Energy Reorganization Act of 1974 which states that the objective of ERDA patent policy is to provide an incentive to stimulate commercial industrial development in energy fields as well as to protect the public's interest. As we interpret mandatory licensing, it would require the patent owner to grant a license to any party desiring one. Mandatory licensing can be interpreted that a patent owner will be required to forego injunctive relief provided by the patent statutes. If such rules and procedures for mandatory licensing are promulgated, the incentives of the limited monopoly granted by a patent would be destroyed.

The patent monopoly provides the owner with ability to license exclusively his invention to a licensee who is willing to invest time and money necessary

to commercialize his invention. If mandatory licensing were required, the incentive provided to exclusive licensees would be lost and no commercial organization would be then willing to invest its capital funds in the commercial development of a nonexclusive license to an invention.

Moreover, the public's interest would suffer, since many worthwhile inventions could not be commercialized. We urge you to consider the exclusion of mandatory licensing of energy-related patents from your rules and procedures.

Thank you for your consideration in allowing the Committee on Governmental Relations to express our views and opinions on your proposed policies and procedures.