WISCONSIN ALUMNI RESEARCH FOUNDATION

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February 21, 1979 263-2831

Hon. Harrison H. Schmitt
United States Senate
1215 Dirksen Office Building
Washington, D. C. 20510

Dear Senator Schmitt:

Pursuant to the request in your letter of November 15, 1978 for comments on S. 3627 and my interim response of December 6, 1978, I have solicited and have now received comments from several members of the Society of University Patent Administrators and from members of other organizations as well.

At the outset, please understand that various of the people from whom I have received comments, and I too, have worked with the staffs of Senators Dole and Bayh, initially on S. 3496 which was introduced in the last Congress, and currently on the revision of that Bill for re-introduction in the present Congress. The following candid commentary does not, however, represent a bias because of mere association with another piece of legislation but is an honest consensus opinion based upon many years of experience with the technology transfer process.

It is our belief that any legislation dealing with the disposition of inventions made with Government funding must fall within two general categories:

(1) title to possible future inventions to reside in the contractor/grantee subject to conditions which the Government believes is necessary in its interests; and

(2) deferring disposition until the invention has been identified.

It is to be understood that deferred determination legislation (category (2) above) clearly includes any legislation which specifies that title to further inventions will be in the Government since such legislation nearly always includes the ability in the Government to waive or license its rights after the invention has been identified.

S. 3627, upon analysis, falls within category (2) above since Section 201 in the bill requires title in the Government at the time of contracting if the agency heads determine that the invention falls within any one of seven broad categorical definitions. In this regard Section 201 (4) is particularly broad and non-definitive in stating the requirement that "retention of title by the Government is necessary to assure the adequate protection of the public health, safety and welfare." Since at the time of contracting no invention exists, it seems impossible to make a judgment under Section 201 (4), or for that matter under most of the other sections of 201, at that time and it, therefore, is highly probable that any agency head would feel the need to at least defer determination until the invention is made in order to assure that he make no mistake. Because of the breadth of the definitions within Section 201, and particularly Section 201 (4), and based upon our experience with the bureaucratic process and the penchant for self-protective caution amongst the members of the bureaucracy, it also seems unlikely that title to any significant number of inventions would ever be waived.

The major argument used to support category (2) legislation is that in dealing with an existing invention, i.e., deferring determination until an invention has been identified, one can better determine the equities of the parties and assess the probabilities of benefit to the public. This presupposes capabilities in the bureaucracy to take all the necessary steps to thoroughly analyze an invention and its potential impact on the market. We have never seen evidence of such capability within the Government, nor have we often seen evidence of the degree of courage which must, of necessity, be present in the bureaucrat to make a decision in favor of the contractor under such broad guidelines as are present in Section 201. As a matter of fact, there are only a very few within Government in our experience who appreciate, let alone understand, the complexities of the technology transfer process.

Section 203 of S. 3627 does recognize that there will be at least some cases where waiver may occur, the presupposition being that title will remain in the Government under the provisions of Section 201. However, the considerations preliminary to waiver set out in that Section are not very definitive and waiver is basically provided only when in the public interest. Here too, knowing the predilection of bureaucrats for self-protective caution,

it is likely that waiver would be granted only where inventions of little significance were involved and then only after long delays.

Another major concern to the university and nonprofit sector is that the one truly definitive criteria included in Section 203 is the statement that in making the waiver the agency shall consider ". . . . the extent to which such institution has the technology transfer capability and program approved by the agency head." Thus, a profit-making organization is faced only with the hurdle of showing that a waiver is in the public interest, while the nonprofit sector is faced with the additional burden of evidencing a technology transfer capability - and that in the absence of any definitions by which that capability can be judged.

This latter provision alone must be viewed as a regressive policy since even existing deferred determination policies do not differentiate between profit and nonprofit groups to the disadvantage of the nonprofit group in waiver situations.

To achieve innovation, adequate incentives must be provided for the management and financial commitment necessary to that end. Today, more than ever, that innovation is necessary if the United States is to maintain, or, perhaps more accurately, to regain and maintain, its role of technological leadership in the world. We firmly believe that, in general, legislation in category (1) above provides that incentive.

The major argument for legislation falling within category (1) is the certainty of ownership which permits the contractor/grantee to obtain a commitment of management and financial resources to the identification, protection and licensing of inventions which would not be made under the uncertain ownership situation existing in category (2) legislation. There is ample evidence and support for this argument in the successful transfer of technology which has taken place, and which has been made of record, under the Institutional Patent Agreement between various universities and the Department of Health, Education, and Welfare and the National Science Foundation.

Since S. 3627 is category (2) legislation it is not favored by any university or nonprofit organization having an ongoing patent management program because of the uncertainty of ownership and the administrative load which would be involved.

On the other hand, the universities and nonprofit organizations favor support of the Dole-Bayh type of legislation, which is category (1) legislation, as being more responsive to their needs and in the best interests of the public and the country as an incentive to innovation. We are most pleased, therefore, to note that you have cosponsored S. 414 which was introduced on February 9, 1979.

I sincerely appreciate your invitation to comment on S. 3627 and have taken the liberty to enclose a copy of a paper which I recently gave at our State Bar Meeting which addresses some of the major considerations as between category (1) and category (2) legislation. If you or Mr. Gibb have any particular questions on these matters please call me at 608-263-2831.

Very truly yours,

Howard W. Bremer

Howard W. Bremer
Patent Counsel

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