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Paul E. Sweet, Director

July 24, 1986

Honorable Marilyn Lloyd
Chairwoman
Subcommittee on Energy Research and Production
B 374 Rayburn House Office Building
Washington, D.C. 20515

Dear Mrs. Lloyd:

As you requested, I would like to share with you the University's concerns regarding an amendment that has been added to the Department of Defense authorization bill, HR 4428, which would significantly affect federal patent policy. We believe there is no demonstrated need for this provision, included as Section 1031, and we are concerned that if enacted, it will have the following effects.

1. Section 1031 will create unnecessary confusion and uncertainty.

   a. It will greatly disrupt the government's uniform patent policy. The scope of this measure is not limited to DoE's defense-related national laboratories, but will also affect defense research performed by universities and small businesses.

   b. It will codify ill-defined terminology. How does one define the scope of "other Atomic Energy Defense activities" or determine the meaning of "adversely affect the operation of any program?" This wording is too vague for application.

   c. It creates a new procedure for one currently in place that is effective. Title to inventions funded by DoE defense programs at Los Alamos and Lawrence Livermore national laboratories under current law cannot be waived without the concurring signature of DoE defense programs personnel. Current procedures thus, are already in place to provide defense programs with an absolute veto.

   d. It seeks to legislate an unworkable, bureaucratic, time-consuming, multi-agency procedure that will effectively deny patent waivers. Not only would this system be cumbersome, but the language of the section is silent on how a contractor may request a waiver.

2. This language will have a negative impact on the ability of

the DoE weapons laboratory contractors to obtain the best subcontractors. Without the certainty that they could retain patent rights to inventions, except in certain well-defined national security areas, many of the best subcontractors would refuse to take part in national laboratory activities.

3. It will significantly undermine the effectiveness of PL 96-480, which encourages transfer of leading-edge technology from the national laboratories to American industry. This is of substantial importance to the technology transfer efforts at Los Alamos and Lawrence Livermore national laboratories.

4. It will create a mechanism for controlling the wrong factor. It appears that the true motivation behind Section 1031 may be control of information, not patents. Control of information should be treated as a subject independent from waiver of title to patents: It should continue to take place under well-recognized standards as applied by DoE and DoD for classification and by the Commerce and State Departments for export administration.

5. Section 1031 is inconsistent with current federal patent policy.

a. There is no standard in the proposed language for the Secretary of Energy to use in determining whether or not to retain title to a patent.

b. Provisions of other laws are affected implicitly if not explicitly: PL 93-577, PL 96-480, PL 96-517, and PL 98-620.

6. The criteria proposed in Section 1031(b) for consideration by the Military Liaison Committee are inappropriate for consideration of patent titles and, in general, for consideration by a DoD committee.

a. The criteria that national security will be compromised is a determination that should be based on classification, not title to patents. Los Alamos, Lawrence Livermore and other weapons laboratories have full-time, professional classifiers whose duty is the proper marking of security-related information. Classification is and should remain independent of patent considerations. Los Alamos and Lawrence Livermore personnel prepare classified patent applications for DoE routinely and are unaware of any title-related national security problems. If special classification procedures were needed for the lab patent applications, then they would be needed for all patent applications everywhere.

b. The criteria that technical information "for which dissemination is controlled under Federal statutes and regulations" will get to unauthorized persons is overly broad, that is, the wording applies to pre-publication procedures in all DoE research and development contracts. The unclear "other Atomic Energy Defense activities" language makes the problem worse. If the information is

already controlled, then a further check is redundant, and the penalties for failure to comply with other laws would be more extensive than not getting patent title.

c. The criteria of organizational conflict-of-interest is not a meritorious patent issue, as indicated by lack of such a provision in PL 96-517 or PL 98-620 and by the absence of any such problem in the past at Los Alamos or Lawrence Livermore. Both laboratories have organizational conflict-of-interest provisions in their operating contracts, with well-defined DoE administrative and appeal procedures for resolution of disputes. Further, the committee does not seem to have expertise for making such findings, nor is there an appeal process. DoE has its own separate statute and associated regulations to apply in such cases.

d. The criteria that "failure" to assert government title will "adversely affect" the operation of any nuclear weapons program or atomic energy defense activities is a standard with no lower bound and of an uncertain extent. For example, the military liaison committee could determine that the technology transfer activities at Los Alamos and Lawrence Livermore mandated by the Stevenson-Wydler Act had an adverse effect, even though required by law.

We hope this information will be useful. If we can provide additional information or clarification, please feel free to call us. Thank you.

Sincerely,

Paul E. Sweet
Director, Federal
Governmental Relations

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