STATEMENT

of

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on behalf of the

AMERICAN CHEMICAL SOCIETY

to the

SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES, AND THE ADMINISTRATION OF JUSTICE

COMMITTEE ON THE JUDICIARY

UNITED STATES HOUSE OF REPRESENTATIVES

on

H.R.6933, TO AMEND THE PATENT AND TRADEMARK LAWS

THURSDAY, APRIL 24, 1980

Mr. Chairman and Members of the Subcommittee:

My name is James D. D'Ianni. I am President of the American Chemical Society, and I appear before you today with the authorization of the Society's Board of Directors. Accompanying me is Dr. Willard Marcy, Chairman of the Society's Committee on Patent Matters and Related Legislation. The American Chemical Society welcomes this opportunity to comment upon current federal patent policy, and hopes that the Society's insights will be useful to the Subcommittee in its deliberations. Our statement today will deal primarily with uniform government patent policy. The Society has previously commented upon the subject of patent reexamination, and our views, as embodied in a letter of February 8, 1980 to Senator Birch Bayh, are appended to our testimony.

It is the conviction of the ACS that technological innovation underlies and supports modern society, and that the fostering of innovation, therefore, must be a national priority. Strong and continuous efforts to enhance and expand technological innovation result in high standards of living as reflected in the history of the United States. Every effort should be made to encourage and strengthen technological innovation so that these standards are maintained and expanded. If we are to find solutions to evermore complex social, economic, and environmental problems, the United States must commit itself to the full utilization of its innovative skills.
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provision that, while title to contractor inventions may pass to small businesses, and not-for-profit institutions, especially the universities, only exclusive licensing in specified fields of use can be passed to all other contractors; and,

(2) the excessively detailed and unnecessarily inhibitory nature of most of the administrative procedures set forth in the bill in order to implement it. The basis for this generalized conclusion can be best set forth by reference to specific sections of the bill. 

In Section 382 the contractor is required to report to the contracting agency complete technical information on each contract invention, a list of each country, in which patent applications are to be filed and, except for small businesses and nonprofit organizations, each field of use in which each invention is to be exploited. The penalty for failing to file such reports may be the loss of all rights to the invention. This requirement unrealistically assumes that each contract invention is complete and ready for commercialization at the time it is made or recognized as an invention. This seldom, if ever, occurs. Most inventions, after first reduction to practice, need substantial additional testing before specific commercial utility is apparent, and require years of further research and development, sometimes as many as 10 to 15 years, in the case of drugs or pharmaceuticals, before marketing occurs. To require complete technical information, specification of foreign countries for patenting, and the desired fields of use for marketing at the same time that an invention is first recognized, imposes an unreasonable and unrealistic burden upon the contractor.

The Society believes that, in many instances, the grant of exclusive rights to patents is required to induce industrial companies to undertake commercialization of inventions. It is gratifying, therefore, to note that Section 383(a) provides that nonprofit and small business organizations may acquire title to their contract inventions in each country they list and in which they file a patent application within a reasonable amount of time. However, the ACS believes that innovation would be stimulated more effectively if full title to the inventions were to be left with such contractors without restriction as to country or as to whether a patent application has been filed. The ability to retain full title to such inventions is particularly important to nonprofit organizations. In most instances, the federally funded research performed by these organizations is in the area of basic research; any inventions or practical applications that might result are unexpected fall-out. Almost always, such inventions require a substantial amount of further investment of time and money before viable commercial products can result. Full title to inventions would make them more attractive and would help persuade licensees to furnish the additional funds needed for development. Allowing non-profit and small business organizations to have full title would greatly encourage and expedite the development and commercialization of contract inventions.
After reviewing the various provisions of H.R. 6933, it can be seen that an additional, and we suggest unnecessary, bureaucratic staffing will be required in each contracting agency:

1. to determine whether to grant title;
2. to consider the requests for exclusive licenses and the fields of use;
3. to study the proposed foreign patent filings, and determine whether the government wishes to develop its own foreign patent position;
4. to ensure that proper reports are made by contractors, to study, and analyze them;
5. to determine whether a contractor is developing an invention effectively in accordance with the strictures imposed and in compliance with minimum government requirements;
6. to handle reviews and hearings in connection with the development of contractor inventions; and,
7. to provide patenting and licensing services for those inventions resulting from federally-assisted research, the rights of which are not granted to contractors.

In answer to the argument of those who contend that to permit the contractor to take title to inventions made under federally-funded contracts amounts to a "give-away" of public funds, the ACS would not be opposed to a provision in the bill that the federal government should recoup at least a portion of the original funding costs, through the sharing of income accruing to contractors having rights to inventions resulting from such research. A reasonable arrangement might be to apply a negotiated percentage against gross royalty income or actual sales to produce a predetermined recouped amount; this amount should be related in a reasonable way to the funding which supported the research leading to the invention.

The Society notes that the sections regarding confidentiality of proprietary data (Sections 382 and 409) require that data concerning inventions in which the government owns or may own a right, title or interest, be kept confidential until patent applications are filed. The Society strongly recommends that confidentiality be extended, without time limit, to all proprietary data, engineering know-how and other intellectual property disclosed to the government, but developed by and belonging to organizations which may have obtained rights in inventions resulting from federally-assisted research. Such information may well have been submitted to federal agencies in the original proposal for grant or contract in support of the contractors' requests to retain right to such inventions, or may have been disclosed in reports to the agencies during the course of the research work which led to the invention. If the background property is needed in the practice of inventions resulting from federally-assisted research, it should be made available to the government on a purchase or license basis at a reasonable fee.

To summarize, the Society wishes to reiterate its previously stated opinion that the Senate bill, S. 414, is a desirable first step in providing a