STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON SCIENCE, RESEARCH AND TECHNOLOGY

HOUSE OF REPRESENTATIVES

ON H.R. 5003

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Mr. Chairman and members of the House Subcomittee on Science, Research and Technology:

My name is Roger G. Ditzel. I am Director of the Patent, Trademark, and Copyright Office of the University of California. I am privileged to be here to testify in favor of House Resolution 5003, the "Uniform Science and Technology Research and Development Utilization Act."

My comments also reflect the position of the Council on Governmental Relations, and the Society of University Patent Administrators. Both of these organizations strongly support this legislation. Further, I know of no university which opposes H.R. 5003.

For the past thirteen years, I have been directly involved in the management and licensing of university inventions funded by the federal government and others. I can assure you that where a university has title to a patent based on the research of its employees, there is a strong desire to find an industrial licensee who will commit substantial risk capital to the development of the invention. When such a situation occurs, everyone benefits. The public has available to it new products which often solve critical needs. The federal agency benefits, in that the results of basic research are used in a practical

way. The industrial licensee develops a successful business and pays income taxes on the profits from that business. The university benefits, since royalty payments returned by the licensee to the university can be used for the support of research and education.

Public Law 96-517, the landmark legislation passed in 1980, has proven very effective in reducing the previous uncertainties and administrative burdens resulting from the disparate policies of many federal agencies prior to that time with respect to the disposition of patent rights arising under agency funding. We believe the amendments proposed in this legislation to P.L. 96-517 will strengthen that bill and make it even more effective.Specific comments on those changes are discussed later.

While Public Law 96-517 limited the right of retention of federally funded inventions to nonprofits and small businesses, this legislation would permit large business contractors and grantees to retain patent rights to inventions arising under federally funded research and development. I believe this is sound national policy. It will spur innovation resulting from federally funded efforts by the contactor, who is (or should be) most interested in and capable of developing the innovation into a marketable product. It will, in my opinion, eliminate the reservations many large companies have had concerning accepting federal funding for research, due to the threat of loss of their

own previously established proprietary position. For example, this legislation would remove the threat of loss to the company of background patent rights, except under extenuating circumstances.

Further, the legislation includes suitable protections for the public by assuring that diligent development of any patented invention will take place, to the extent practicable, or the contactor will be required to return title to the patent to the federal government. As a result of the enactment of this legislation, I would anticipate that increasing numbers of leading United States companies would be willing to accept funding from the federal government in areas in which they are uniquely qualified in applied research and development activities.

A number of the provisions of Section 402 of H.R. 5003 relate directly to universities, in that they amend parts of P.L. 96-517, and bring other laws into conformity with it. I support each of the proposed modifications to P.L. 96-517, but will comment on only a few of those in Section 402(15):

1. The addition of sexually propagated plants to the definition of "invention" in P.L. 96-517 is an appropriate expansion of the definition of the term "invention." Employees

at a number of universities breed plants, and the changes proposed would make it clear that these new varieties have come under that law. I would suggest only that the language in (15)(B) be modified by adding the words "sexually propagated" prior to the first occurrence of the word "variety" in that section.

2. Section (15)(C) significantly modifies portions of the P.L. 96-517 language providing for exceptions to retention of title by a university or small business that is the operator of a government-owned, contractor-operated research or production facility. Several universities are such operators, including the University of California, which operates the Los Alamos National Laboratory, the Lawrence Livermore National Laboratory, and the Lawrence Berkeley Laboratory. We have seen a number of inventions arise in those laboratories which can, in our opinion, be better licensed by us than through the federal agency funding the laboratory. At the present time, with the laboratories mentioned, we must go through an extensive waiver-request procedure to obtain title to such non-weapons inventions. Our experience is that between twelve and twenty-four months elapse before such a waiver is approved by the funding agency. In several cases, that delay has caused us to lose potential licensees who were ready to invest in the innovative development, but which lost interest due to the waiver delays. Certainly the University of California, and no other contractor, has any desire

to have rights to patents on weapons waived to it. It is our understanding that the provisions contained in the proposed language would prevent such title to lie in the operator. It should be noted that different agencies take different views at the present time of allowing the provisions of 96-517 to apply to inventions arising in government-owned, contractor-operated facilities. This inconsistency in federal policy would be eliminated by this Bill. Further, the language in this section parallels that provided in Title III, allocating rights to large business contractors.

3. The Secretary of Commerce is, in our opinion, the best office within the Administration for helping to balance agency actions against the intent of Congress with respect to exceptions made by an agency head with respect to the implementation of Public Law 96-517.

4. The language proposed in (15)(E) conforms to the current regulations (OMB Circular A-124) with respect to invention reporting and election of title by the contractor. This system is practical and has worked well. Some suggest that inventions be disclosed immediately upon conception and before reduction to practice. In my opinion, such reporting is unworkable and impractical, at least in the university environment. Further, it

should be noted that the conception of a patentable invention can only be defined once the invention has been reduced to practice. Thus, the reporting of a conception at the idea stage that may never work or has been untested would, in my opinion, only lead to the generation of paperwork to no avail. Thus, I strongly support the language proposed by Section (15)(E) of this Bill, and the parallel provision in Title III.

5. Under (15)(F), I believe the correct citation would be Section 202(C)(4), rather than paragraph (c)(4).

6. I support the language of (15)(I) allowing an agency at any time to waive all or any part of the rights of the United States to subject inventions made under a funding agreement, subject to the safeguards listed. We have observed many situations where, due to other regulations, an agency finds it difficult to waive rights to us, even though the equities would appear to favor such a waiver. For example, a full-time federal employee working in a university and receiving research funds through the university from an agency other than his or her employer, is currently under an obligation to assign title to the federal government under Executive Order 10096. Such situations occur with employees of the Veterans Administration who also have non-salaried university appointments and with employees of the

United States Department of Agriculture who have similar university appointments. Often such employees are co-inventors with full-time universities employees, but not always. The language of this Section would encourage agencies to waive those rights to the university.

7. (15)(H) would delete from P.L. 96-517 some unnecessary restrictions on the assignment of rights by a university to another. More importantly, it would eliminate the unnecessary limitations of exclusive licenses to large companies currently in the language of P.L. 96-517. Given the provisions of waiving exclusive life-of-patent rights to large business contractors of Title III of this legislation, the modification of P.L. 96-517 as provided here is entirely appropriate. Deletion of exclusive licensing periods would encourage greater risk capital investment by large companies in university-derived inventions.

One further item I would suggest for consideration by the Committee in H.R. 5003 deals with the definition of "funding agreement" in Section 201(B) of P.L. 96-517. A number of agencies make available scholarships, fellowships, and training grants to educational institutions or their students. Different agencies have treated inventions arising under such educational support in different ways. DHHS, for example, requires the invention to be passed to DHHS, but has a liberal waiver policy back to the university. The National Science Foundation, as I

understand it, makes no claim to inventions arising under such educational awards. It would seem that an appropriate policy would be that inventions arising under such educational awards should be treated as any other invention arising under a funding agreement as defined by P.L. 96-517. I would ask the Committee to consider inserting the words, "scholarship, fellowship, training grant" after the first occurrence of the word "grant" in Section 201(B) of 96-517. Further, I would suggest the word "educational" be inserted after the two occurrences of the word "developmental" in that same section.

It has been a privilege and a pleasure to submit this testimony in favor of H.R. 5003. I am prepared to answer any questions you may have, and to work with you and your staff in any appropriate way in support of this very important legislation.

Thank you, Mr. Chairman, for the opportunity to present my views.