



TESTIMONY OF HON. DON FUQUA
CHAIRMAN, HOUSE COMMITTEE ON SCIENCE AND TECHNOLOGY
BEFORE THE HOUSE SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES,
AND THE ADMINISTRATION OF JUSTICE
REGARDING H.R. 4564, THE UNIFORM FEDERAL RESEARCH
AND DEVELOPMENT UTILIZATION ACT OF 1981

MARCH 2, 1982

MR. CHAIRMAN, THE ECONOMIC NEWS TODAY IS NOT ENCOURAGING, AND OUR PEOPLE ARE SUFFERING. STOCK PRICES JUST HIT A TWO YEAR LOW AND UNEMPLOYMENT CLIMBS TOWARDS A NEW HIGH. THE MOST IMPORTANT JOB OF THIS CONGRESS IS TO DO EVERYTHING WE CAN TO HELP SOLVE OUR ECONOMIC PROBLEMS.

RIGHTING THE ECONOMY IS A TREMENDOUS TASK, AND IT CANNOT BE DONE BY GOVERNMENT ALONE. ALL PARTS OF SOCIETY MUST WORK TOGETHER. IT IS CLEAR, HOWEVER, THAT THE FEDERAL GOVERNMENT HAS A MAJOR ROLE. EVERY COMMITTEE OF CONGRESS HAS A JOB TO DO.

THE COMMITTEE ON SCIENCE AND TECHNOLOGY IS WORKING TO SEE THAT SCIENCE AND TECHNOLOGY MAKE AS GREAT A CONTRIBUTION AS POSSIBLE TO OUR ECONOMY. AND, IT IS CLEAR TO US THAT IMPROVED TECHNOLOGY IS ONE OF THE KEYS TO OUR ECONOMIC FUTURE. WE HAVE MADE INNOVATION AND PRODUCTIVITY TWO OF THE COMMITTEE'S MAJOR CONCERNS.

AS PART OF OUR PROGRAM, WE HAVE FOCUSED ON HOW BEST TO ENSURE THAT INVENTIONS RESULTING FROM FEDERALLY-SUPPORTED RESEARCH AND DEVELOPMENT PROJECTS GET PUT INTO COMMERCIAL USE. OUR COLLEAGUE, THE HONORABLE ALLEN ERTEL, HAS BEEN A LEADER IN OUR COMMITTEE

ON THIS ISSUE. INDEED, HE IS THE PRINCIPAL SPONSOR OF THE BILL WE ARE DISCUSSING TODAY. I UNDERSTAND YOU HEARD FROM HIM EARLIER THIS MORNING.

THE BILL BEFORE YOU, H.R. 4564, THE UNIFORM FEDERAL RESEARCH AND DEVELOPMENT UTILIZATION ACT OF 1981, DEAL WITH THE PROBLEM AS TO HOW FEDERAL PATENT POLICY CAN BEST BE FORMULATED TO INSURE THAT INVENTIONS ARISING FROM FEDERALLY SUPPORTED R&D ARE COMMERCIALIZED.

BEFORE I GIVE YOU MY VIEWS ON THE BILL ITSELF, LET ME TAKE THIS OPPORTUNITY TO ACKNOWLEDGE THE WORK THIS SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES, AND THE ADMINISTRATION OF JUSTICE HAS DONE AND IS NOW DOING TO IMPROVE OUR PATENT SYSTEM. HAVING AN EFFECTIVE PATENT SYSTEM IS ONE OF THE CRITICAL FUNCTIONS OF OUR GOVERNMENT IN SUPPORTING A HEALTHY ECONOMY, AND YOU HAVE BEEN WORKING TOWARD THAT END. IN THE 96TH CONGRESS THIS SUBCOMMITTEE WAS ABLE TO SEE PUBLIC LAW 96-517 ENACTED. THAT PUBLIC LAW, IN WHICH CHAIRMAN KASTENMEIER AND I COLLABORATED CLOSELY, ESTABLISHED A UNIFORM FEDERAL PATENT POLICY FOR SMALL BUSINESS AND UNIVERSITIES, PROVIDED FOR REEXAMINATION OF PATENTS, AND REVISED PATENT FEES. MORE RECENTLY, BECAUSE OF YOUR LEADERSHIP, THE HOUSE PASSED H.R. 4482, WHICH CREATES A SINGLE COURT OF PATENT APPEALS; AND YOU HAVE HELD HEARINGS ON PATENT TERM RESTORATION. I KNOW OF AT LEAST TWO OTHER INITIATIVES CHAIRMAN KASTENMEIER HAS TAKEN; THEY REGARD RIGHTS OF EMPLOYED INVENTORS AND NATIONAL INVENTORS DAY. I WOULD LIKE TO CONGRATULATE YOU, CHAIRMAN KASTENMEIER, AND MEMBERS OF THE SUBCOMMITTEE, FOR TAKING THE INITIATIVE ON THESE ISSUES.

TURNING NOW TO THE BILL BEFORE YOU, THE BASIC THRUST OF H.R. 4564 IS THAT IN ORDER TO PROMOTE THE USE OF INVENTIONS MOST EFFECTIVELY, TITLE TO INVENTIONS CONCEIVED UNDER FEDERAL GRANTS AND CONTRACTS SHOULD REMAIN WITH THE CONTRACTOR.

THE CONTRACTOR IS NORMALLY IN THE BEST POSITION TO COMMERCIALIZE AN INVENTION SINCE THE CONTRACTOR HAS THE KNOW-HOW THAT CREATED THE INVENTION IN THE FIRST PLACE. MOREOVER, WHEN THE CONTRACTOR IS A FOR-PROFIT CONCERN, THE CONTRACTOR HAS AN IMMEDIATE FINANCIAL INTEREST IN COMMERCIALIZATION. A SECOND REASON FOR ADOPTING THE "TITLE IN CONTRACTOR" APPROACH IS THAT BY OFFERING TITLE, AGENCIES OPERATING R&D PROGRAMS WILL BE MORE ABLE TO ATTRACT THE MOST COMPETENT CONTRACTORS TO PARTICIPATE.

IN THE HOUSE VERSION OF THE PATENT BILL, H.R. 6933, WHICH WE CONSIDERED IN THE 96TH CONGRESS, PROVISION WAS MADE FOR ALL CONTRACTORS TO KEEP, AT LEAST, EXCLUSIVE LICENSES IN SELECTED FIELDS OF USE FOR A PERIOD OF TIME. THAT PROVISION IS HARD JUST TO DESCRIBE. KEEPING TRACK OF THOUSANDS OF PATENTS WITH THEIR FIELDS OF USE AND PERIODS OF EXCLUSIVITY WOULD TAKE AN ARMY OF PATENT LAWYERS IN EACH MAJOR AGENCY. I BELIEVE THAT THE "TITLE IN CONTRACTOR" APPROACH OF H.R. 4564 IS BETTER BECAUSE IT IS SO MUCH SIMPLER TO IMPLEMENT.

ANOTHER ADVANTAGE OF H.R. 4564 IS THAT IT WOULD MAKE POLICY FOR THE ALLOCATION OF PATENT RIGHTS UNIFORM ACROSS THE WHOLE GOVERNMENT. CURRENTLY, EACH AGENCY HAS ITS OWN POLICY. THE DIVERSE

ARRAY OF PATENT POLICIES ACROSS THE GOVERNMENT DETERS POTENTIAL CONTRACTORS FROM PARTICIPATING IN FEDERAL R&D PROGRAMS.

IN ORDER TO PROTECT THE GOVERNMENT'S INTERESTS IN INVENTIONS RESULTING FROM FEDERALLY SUPPORTED R&D, THE BILL PROVIDES THAT IN CERTAIN PRESCRIBED EXCEPTIONAL CIRCUMSTANCES THE AGENCY COULD RETAIN TITLE.

ANOTHER SAFEGUARD IS THE "MARCH-IN-RIGHTS" PROVISION OF THE BILL. THIS PROVISION PREVENTS A CONTRACTOR FROM SUPPRESSING AN INVENTION BY GIVING THE AGENCY THE RIGHT TO "MARCH-IN" AND FORCE THE CONTRACTOR TO LICENSE AN INVENTION IF THE CONTRACTOR IS NOT SERIOUSLY TRYING TO COMMERCIALIZE IT. MARCH-IN COULD ALSO BE USED IN OTHER SITUATIONS WHERE THERE IS A SPECIFIC NEED.

TO ENSURE THAT THE GOVERNMENT AS WELL AS THE CONTRACTOR WILL BENEFIT IN THE CASE OF AN EXTREMELY PROFITABLE INVENTION, THE BILL PROVIDES THAT THERE WILL BE RECOUPMENT PAYMENTS TO THE GOVERNMENT IN SUCH A CASE. WE HAVE INCLUDED RECOUPMENT TO INSURE THAT THIS IS NOT JUST A GOVERNMENT GIVEAWAY PROGRAM. WHILE WE BELIEVE THAT "TITLE IN CONTRACTOR" IS NEEDED TO INSURE COMMERCIALIZATION, WE ALSO BELIEVE THAT THE GOVERNMENT SHOULD BE FULLY REIMBURSED FOR SUCCESSFUL INVENTIONS IT HAS PAID FOR.

THE BILL PROVIDES FOR JUDICIAL REVIEW OF FEDERAL AGENCY DETERMINATIONS MADE UNDER THE BILL. WE BELIEVE JUDICIAL REVIEW IS DESIRABLE TO ENSURE FAIR IMPLEMENTATION OF THE BILL.

THE FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING AND TECHNOLOGY WITH THE DEPARTMENT OF COMMERCE IN A STRONG SUPPORTING ROLE, IS GIVEN THE LEAD BY THE BILL FOR MONITORING IMPLEMENTATION OF THE BILL AND FEDERAL PATENT POLICY, GENERALLY.

FINALLY, THE BILL PROVIDES FOR LICENSING FOR FEDERALLY-OWNED INVENTIONS. THE COMMERCE DEPARTMENT IS DESIGNATED AS THE LEAD AGENCY FOR LICENSING, AND EACH AGENCY IS GIVEN A VARIETY OF AUTHORITIES NEEDED FOR AN EFFECTIVE LICENSING PROGRAM.

MR. CHAIRMAN, WHEN THE COMMITTEE ON SCIENCE AND TECHNOLOGY MARKED UP THIS BILL, IT HAD NEARLY UNANIMOUS BIPARTISAN SUPPORT. INDEED, OUR COLLEAGUE, THE HONORABLE LARRY WINN, RANKING MINORITY MEMBER OF OUR COMMITTEE, IS A COSPONSOR OF THE BILL. THE HEARING WHICH WE HELD ON THE BILL, IN FACT, WAS JOINT WITH THE SENATE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION, A COMMITTEE UNDER REPUBLICAN LEADERSHIP.

SEVERAL WITNESSES FROM THE ADMINISTRATION SUPPORTED THE BILL AT OUR HEARING. I BELIEVE YOU WILL BE HEARING FROM THE ADMINISTRATION IN SUPPORT OF THE BILL LATER TODAY. ALTHOUGH WE HELD ONLY ONE DAY OF HEARINGS ON H.R. 4564, AS YOU KNOW, OUR COMMITTEE HAS BEEN WORKING ON THIS MATTER CONTINUOUSLY FOR THE PAST FIVE YEARS, AND WE ARE BUILDING ON A LARGE EXISTING RECORD.

IN MARKING UP THE BILL, OUR COMMITTEE ADOPTED A LARGE NUMBER OF TECHNICAL AMENDMENTS AS WELL AS MAKING A FEW SUBSTANTIVE

CHANGES. THE MOST SUBSTANTIAL CHANGES WERE A GROUP OF AMENDMENTS I OFFERED TO CONFORM THE BILL MORE CLOSELY TO EXISTING LAW, P.L. 96-517 FOR THE BENEFIT OF UNIVERSITIES AND SMALL BUSINESSES. ALTHOUGH I BELIEVE THE COUNTRY SHOULD HAVE A SINGLE BODY OF LAW GIVING PATENT POLICY FOR ALL CONTRACTORS, I ALSO BELIEVE THAT P.L. 96-517 GAVE SUBSTANTIAL INCENTIVES FOR COMMERCIALIZING INVENTIONS TO UNIVERSITIES AND SMALL BUSINESSES, AND THESE INCENTIVES SHOULD BE MAINTAINED. THE AMENDMENTS I OFFERED ACCOMPLISH THIS.

THAT COMPLETES THE POINTS I WANTED TO MAKE, MR. CHAIRMAN. IN CLOSING, LET ME SAY AGAIN HOW MUCH I RESPECT YOUR WORK IN THE PATENT AREA. I HAVE ENJOYED COLLABORATING WITH YOU ON THE ISSUE OF FEDERAL PATENT POLICY IN THE PAST, AND I LOOK FORWARD TO CONTINUED WORK WITH YOU ON THE BILL BEFORE YOU TODAY. I URGE YOU TO ACT FAVORABLY ON THE BILL. THANK YOU.