TESTIMONY OF DR. EDWIN T. YATES

BEFORE THE

SUBCOMMITTEE ON PATENTS, COPYRIGHTS

AND TRADEMARKS

SENATE COMMITTEE ON THE JUDICIARY

SUMMARY OF TESTIMONY

Public Law 96-517 provides for small businesses and non-profit institutions conducting research under Federal grants and contracts to have first right to elect to take title to inventions made in the course of such research. The Uniform Patent Procedures Act would extend the benefits of Public Law 96-517 to all Government contractors including big businesses. In addition, this Bill would amend Public Law 96-517 in a number of ways that would be beneficial to colleges and universities in their efforts to license inventions made with Federal funds.

Mr. Chairman and members of the Subcommittee, my name is Edwin T. Yates. I am the Patent Management Officer of The Johns Hopkins University. It is a pleasure to be here today to testify on the Uniform Patent Procedures Act.

My testimony will be from the perspective of a university patent manager. As such, my experience predates passage of Public Law 96-517, the University and Small Business Patent Procedures Act of 1980. Prior to enactment of Public Law 96-517, it was necessary for a university that did not have an Institutional Patent Agreement with a particular agency to petition on a case-by-case basis for rights in inventions made with funding by that agency. With the passage of Public Law 96-517, small businesses and non-profit institutions such as colleges and universities have the first right, with a few exceptions, to elect to take title to inventions made in the performance of research under Government grants and contracts regardless of the funding agency. Needless to say, this has had a stimulating effect on the transfer of technology from the university laboratory to the industrial sector and ultimately to the marketplace.

The Uniform Patent Procedures Act which is being discussed today would basically extend the benefits of Public Law 96-517 to all Government contractors including big businesses conducting research under Government contracts. Presently, title to

inventions made by big businesses under Government contracts go to the Government. In view of the small percentage of Government-owned inventions that are ever licensed, it would seem that the public would benefit if big businesses were to acquire title to inventions made with Federal funds. The company would have a profit incentive to make the investment necessary to develop the invention to the commercial stage. Thus, Federal research money would generate improved products and processes to benefit the public rather than inventions that are never exploited commercially.

In addition to the foregoing, there are a number of provisions of the Uniform Patent Procedures Act which are directly beneficial to universities in their efforts to license inventions made with Federal funding. For example, Public Law 96-517 excepts from university ownership inventions made at Government-owned laboratories that are operated by universities. This Bill will repeal that section of Public Law 96-517 and provide that universities, as well as other qualified contractors, operating Government-owned laboratories will obtain title to inventions made at these laboratories.

The implementing regulations for Public Law 96-517 were developed with significant comment from colleges and universities. The resulting regulations contain favorable provisions for reporting inventions made under Federal grants and contracts to

the Government. However, the regulations are subject to a policy review in approximately another year and the present reporting provisions could be changed. The Uniform Patent Procedures Act amends Public Law 96-517 to insure that these favorable reporting provisions will survive even if the present implementing regulations are rescinded or changed in the future.

Colleges and universities are more and more frequently entering into collaborative research efforts with industry. A big concern of industrial sponsors of academic research is that Federal money will become mixed with theirs in funding the research and, if an invention is made, the Government would have rights to it. The present Bill amends Public Law 96-517 to permit Federal agencies to waive any of the conditions that attach to the ownership of inventions resulting from co-sponsored, cost sharing, or joint venture research. To justify a waiver in such cases, the agency must determine that it is in the public interest. This provision permits the agency to waive, for example, its march-in rights, its right to a non-exclusive license, and its right to require reports on commercialization. The waiver of such conditions would give colleges and universities greater flexibility in structuring collaborative projects and would encourage university-industry collaboration.

The final point I want to discuss relates to the period of exclusivity that a university can grant in a license under an invention made with Government funding. Under Public Law 96-517, the period of exclusivity which a university can grant in a license under the U. S. patent rights to other than a small business is limited. The period of exclusivity may be no longer than the earlier of five years from the date of first commercial sale or eight years from the date of the license. This provision is a significant barrier to licensing inventions that require long periods of development and the expenditure of large sums of money prior to commercialization. This is particularly the case with drugs where millions of dollars may be spent and seven to ten years may elapse before market approval is obtained from the Food and Drug Administration. Prospective licensees are understandably concerned that, after having made such a commitment of time and money, they have a sufficiently long period of exclusive marketing to recover their investments.

This problem is remedied by the Uniform Patent Procedures Act which amends Public Law 96-517 by removing the cap on the period of exclusivity which can be granted to a big business under U. S. patent rights. Removal of this cap will, in my opinion, serve to foster technology transfer to the ultimate benefit of the public.

That concludes my comments. Thank you for the opportunity to appear before you today.