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Mr. Bernard H. Martin
Assistant Director for
Legislative Reference
Executive Office of the President
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Martin:

This is in response to the Legislative Referral Memorandum of February 22, 1978, on the subject of a draft decision paper on Federal Patent Policy. The memorandum requested Department of Energy (DOE) comments on the decision paper and on this Department's position on policy alternatives set forth in the paper. This request coincides with the preparation of a letter for Dr. Frank Press, Director, Office of Science and Technology Policy, which discussed in considerable detail this Department's position on government patent policy and on the same issues raised by the draft decision paper. A copy of this letter to Dr. Press is enclosed to explain more fully our position stated herein.

As set forth in the Dr. Press letter, this Department is presently preparing its final report to the President and Congress on the patent policies affecting this Department's energy programs as required by Section 9(n) of Public Law 93-577. Those policies consist of Section 9 of Public Law 93-577 and Section 152 of the Atomic Energy Act of 1964, as amended. In view of the fact that this report is not complete, it is premature to provide in detail its conclusions. We believe, however,

the report will without question indicate that the DOE legislative patent policies are technically sufficient and appropriately flexible to allow this Department to successfully undertake its mission. Although the DOE policy is not without problems, it represents the most complete, comprehensive, and authoritative compromise patent policy ever enacted by Congress. Accordingly, from the point of view of this Department alone, Option III would be acceptable and allow DOE to function under its present legislative guidelines.

It is otherwise difficult to address the simple selection of the options as stated in the draft decision paper because they are stated in broad language and each could encompass many formulations or implementations. Option II, for example, is broad enough to encompass the DOE legislative patent policies and would be acceptable from this Department's point of view if the DOE legislation was followed. On the other hand, Option II is stated broadly enough to encompass less flexible patent policies which could be a substantial impediment to the successful completion of the DOE research, development and demonstration programs.

As more fully explained in the enclosed letter to Dr. Press, when patent policy is viewed from a government-wide point of view, the DOE patent policy is probably too administratively burdensome to apply to the approximately 30,000 grants and contracts awarded each year by the

Federal Government, and to the 8,000 or more invention disclosures reported annually under these grants and contracts. Accordingly, this Department could not endorse Option II for application to all government agencies, and a preference must be stated for either Options I or III for a government-wide policy.

We do not view Option IV as a legitimate patent policy alternative. At most, Option IV is a suggestion that we keep the status quo (Option III) while the Executive Branch of the Government attempts to develop a politically acceptable compromise position which the alleged option admits does not now exist. DOE is not against such an effort although it must be recognized that it has been attempted several times before. This type of review group was first formed in the 1962-1963 time frame under Dr. Jerome Wiesner, then Special Assistant to the President for Science and Technology. The result of this effort was the 1963 Memorandum and Statement on Government Patent Policy issued by President Kennedy. Another group was established by Dr. Donald F. Horning in 1965 in his capacity as Chairman of the Federal Council on Science and Technology (FCST). This group was the FCST Committee on Government Patent Policy, and the result of that study was the reissuance of the Memorandum and Statement on Government Patent Policy in 1971 by President Nixon. The same Committee studied the same issue again, which resulted in a

Department of Commerce proposed bill in 1976, and which later served as a basis for Congressman Thornton's Bill, H.R. 6249. Accordingly, we view Option IV to be a suggestion that another try be made to develop another solution. This Department would support and participate in such an effort, but it should not be referred to as a presently existing policy alternative.

Option IV is also not considered as a patent policy alternative. It is a proposal to derive income from inventions generated from government support. As applied to Option I, it takes the form of royalty sharing with the contractor who keeps title to inventions. The concept is equally applicable to Option II by licensing government-owned patents for royalties. Recoupment or cost-sharing from patent rights is a separate policy issue from that of the allocation of patent rights. The issues of the appropriate allocation of rights are complex enough without intertwining them with the issues of government recoupment.

In summary, this Department does not believe that Options IV and V are true policy alternatives. For itself, DOE would find acceptable Option III, or Option II based on DOE legislation. Option II, however, is not believed to be acceptable on a government-wide basis. More detailed comments on the draft decision paper are attached.

Sincerely,

Eric J. Fygi
Acting General Counsel

Enclosures: 2
As stated