MAY 1 9 1978

MEETING OF 5/18/78 ON INTELLECTUAL PROPERTY AND INFORMATION

John M. Deutch, Director
Office of Energy Research

Congratulations! You picked "the meeting of the month" from which to be absent.

Jordan spent two hours guiding a discussion of what the different agencies considered to be appropriate patent policies, the practices followed by the agencies, and in general their theories on why they selected the policies they followed. The last half-hour was devoted to a discussion of the proposed copyright policy which my Executive Subcommittee drafted, which the Copyright Office objected to on questionable legal grounds, and which the Department of Justice vetoed for the expressly stated purpose that they did not know what the policy statement was all about.

The overall effect of the meeting was, in my mind, a major step backward in arriving at government-wide resolutions of these issues.

Original signed by

James E. Denny
Acting Assistant General
Counsel for Patents

Enclosure:
cc of ltr. to J. Baruch
w/o encls.

cc: H. Yohalem w/encl.
(did not encl. ERDA 76-16
or cc of PAT Regs.)

PAT

JEDenny:dm

MAY 19 1978

Dr. Jordan J. Baruch
Assistant Secretary for
Science and Technology
U.S. Department of Commerce
Washington, D.C. 20230

Dear Jordan:

Enclosed is a copy of our Patent, Data and Copyright policy which was issued under ERDA on July 13, 1977, and which we are currently utilizing as DOE patent policy. Our provisions regarding waivers begin in §9-9.109-6 on page 23. Paragraph (a) sets forth four objectives of our waiver policy which come directly from our statute. In addition, paragraph (b) sets forth 13 factors to be considered in making advance waiver determinations—12 of which come from our Nonnuclear Act and one which comes from the Atomic Energy Act. Finally, subparagraph (c) on page 24 sets forth 12 factors to be considered in making waiver determinations on individually identified inventions.

For universities, we approve technical transfer capabilities and programs of educational institutions in the same manner as HEW and NSF under their Institutional Patent Agreement (IPA) program; however, we do not utilize IPA's. Instead, we equate approved programs with the equivalent of manufacturing and marketing capabilities for purposes of advance waivers; and for individual waivers, we reverse the presumption in favor of granting the waiver to the universities with approved programs. These provisions start with subsection (h) on page 26 and specifically note paragraphs (4) and (5) on page 27.

Also enclosed is a copy of our domestic and foreign patent licensing procedures which have not been modified subsequent to the existence of AEC. We have a revision underway, but the regulations will be substantially unchanged.

If you have not done so to date, I would recommend that you or David give some careful study to the details of the first Harbridge House study which provides a substantial amount of factual information of the type being discussed in yesterday's meeting. It took a rather large sampling of government-supported inventions, reviewed their utilization and reasons for nonutilization, compared their effects on competition, searched for the existence of "windfall," identified the amount of

investment in further development and marketing of the inventions, and accumulated considerable other data which everyone seems to assume does not exist. This was an expensive and thorough study, which was monitored by the Department of Justice; and Dr. F. M. Scherer was the consulting economist on both conducting the study and analyzing the results. I do not believe anything equivalent to this study will be supported again, as to do so would cost approximately $1 million. Therefore, I highly recommend it to you.

In addition, DOE is presently supporting a second Harbridge House study in the area of compulsory licensing. Under this study, Harbridge House is looking into the effects of the two present compulsory licensing statutes (Atomic Energy Act and the Clean Air Act), reviewing the effects of antitrust compulsory licensing decrees and of injunctive enforcement of patents, and examining the compulsory licensing experience in several foreign countries. All of the preliminary results of this study are available to you through the Commerce representative on our task force, Barry Grossman of the PTO.

Barry also has access to the transcript of the public colloquium through which DOE supported the writing, presentation and discussions of six papers on the issue of compulsory licensing authored by economists (F. M. Scherer and Jesse W. Markham), the legal profession (Marcus B. Finnegan and James B. Gambrell), and the business community (Dayton H. Clewell and Dr. Nat C. Robertson). This effort was an attempt to assess expert opinion in this area in order to parallel the factual information which we hope to obtain through the second Harbridge House study.

Finally, I have enclosed an initial report that ERDA prepared for the President and Congress as required under §9(n) of P.L. 93-577. This report provides the historical development of Government patent policy, a review of legislative enactments, and a detailed summary of the development of ERDA's nonnuclear patent legislation. Of particular interest is the transcript of the public hearings that were held in regard to Government patent policy and compulsory licensing, and the comments that were received on this subject.

It is because of the information enclosed and referred to above that I keep stating the position that we probably have before us as much information on this topic as we are going to get. The problem is that, after digestion of the information, all parties concerned with the issue have not been led to the same policy decision. In my opinion, this is not

because additional factual information would change the situation (assuming more information could be obtained), but is due to the fact that the differences in policy position are based upon philosophical differences. Accordingly, in my view, we do not need more data—but simply policy decisions.

Sincerely,

original signed by

James E. Denny
Acting Assistant General
Counsel for Patents

Enclosures:
1. ERDA 76-16 w/appendices
2. Patent Regs. - F.R. 7/13/77

cc: J. M. Deutch, DOE, w/o encls.
K. P. Ewing, DOJ, w/encls.

PAT

JEDenny:dfm
5/22/78

MAY 19 1978

Mr. Ky P. Ewing, Jr.
Deputy Assistant Attorney General
Antitrust Division
U.S. Department of Justice
Washington, D.C. 20530

Dear Mr. Ewing:

I am enclosing a copy of my letter to Dr. Jordan J. Baruch which supplies the information he requested during yesterday's meeting on Government patent policy. I believe that you may find a lot of the information of interest.

Dr. Baruch's letter has enclosed a copy of the initial ERDA Report to Congress which you specifically requested. Of particular interest in the main volume is the historical summary of Government patent policy, the review of legislation enacted in this area, and the development of the ERDA-DOE legislative patent policy. Appendix C provides a transcript of our public hearings and written comments on ERDA patent policy and on compulsory licensing.

Roger Andewelt has access to the information referred to in the letter to Dr. Baruch as being in the possession of Barry Grossman. If I can provide you with any additional information or assistance in considering this policy issue, please let me know.

Sincerely,

original signed by

James E. Denny
Acting Assistant General
Counsel for Patents

Enclosures:
cc of ltr. w/encls.
to Dr. Baruch

cc: Dr. J. Baruch, Commerce
R. V. Allen, Justice ---did not encl.
ERDA 76-16 or Pat Regs.

I. Favorable Committee

II. Reasons to Favor Substance of Bill

A. General

1. Promote technology transfer and economic expansion.

2. U. S. jobs and industry versus foreign.

3. Reduce administrative costs.

4. Best contractor argument

B. University-specific

1. Such a policy is needed if university licensing efforts are to be successful. Potential income.

2. Such a policy facilitates universities obtaining industrial support for university research.

III. Problems if President Fails to Support the Bill when the Issue is Presented to him.

A. If Justice gets the upper hand it could lead to a tightening of the President's policy. It might be noted that prior to the issance of the President's policy, NSF allowed grantees to retain rights at the time of award. After the statement NSF moved to a deferred determination mode. If Justice has its way things will get even worse.

B. ERDA legislation will become model for future piecemeal legislation. It puts universities at a disadvantage as it is now being interpreted. Indeed, passage of that bill was one of the factors that led the Committee on Government Patent Policy of the FCST to propose a Thorton-type bill in 1976.

C. The Secretary of DHEW appears to be a title-in-the-Government advocate. There is now a battle forming within DHEW between Assistant Secretary for Health and Secretary Califano on this issue. If the President comes out against H.R. 8596, Califano could use this as a marching order to dismantle DHEW policies which are almost identical to those of NSF. Up until this development it was expected that DHEW would be strongly supportive of the Thornton bill and DHEW was one of the agencies most active in pushing for the Commitee on Government Patent Policy bill.

D. In the past universities have been treated liberally by DOD. When new regulations were issued in 1975 paralleling the FPR, DOD dropped its list of universities that were to automatically get the liberal clause. DOD has promised to use IPAs once the FPR revisions authorizing them is issued. However, if the President decides against the bill, conceivably DOD might be reluctant to reliberalize its policy. It should be understood that DOD's liberal policy is based on the "best contractor" argument and not concerns about technology transfer. DOD knows that universities will accept their grants and contracts no matter what the patent terms. Hence, they might lay low with the universities and leave things as they now stand.

E. If the President opposes the bill, one can probably kiss goodby any chances of getting ERDA (DOE) to liberalize their university patent policy.

IV. Role of NSF

A. Especially with the current impasse at DHEW, it is imperative that NSF take a strong stand and urge administration support. It is looked upon as a leader in university matters. A wishy-washy attitude by NSF will not help and may hurt the chances of getting President Carter to support the bill.

B. Fence straddling by NSF serves no purpose other than allowing the Justice zealots to gain the upper hand with the President.

C. Justice Department is the lead agency in opposing the Thorton bill. They do not make distinctions for universities. Justice was only one of two agencies to abstain from voting favorably on the Report of the Ad Hoc Subcommittee on University Patent Policy of the Committee on Government Patent Policy, FCST, in 1975. That report urged agencies to follow the NSF/DHEW approach of Institutional Patent Agreements. Justice Department attornies were influential in opposing attempts to ~~right~~ write language favorable to universities in the ERDA legislation. One of Justice's leading proponents of a title-in-the-Government policy has recently taken a position in an OMB policy slot. Senator Nelson recently attacked NSF even though ~~you~~ NSF does not deal with industry. Admiral Rickover in his testimony before Nelson's Committee in December responded to a question from Nelson by stating that there should be no different treatment of universities from industry.

V. As a matter of politics it puzzles us why NSF would risk antagonizing Representative Thorton and some of his staff by failing to support his bill. The bill is cosponsored by a substantial number of the members of the House S&T Committee. ~~Senator~~ Rep. Thorton went out of his way to hold

hearings and establish a basis for partial jurisdiction over the bill by the House S&T Committee. (Normally such bills would only go to Judiciary.) In the absence of a good reason to oppose the bill, it seems foolish for NSF to antagonize its oversight committee.