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UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
WASHINGTON, D.C. 20545

September 16, 1976

Mr. James M. Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Dear Mr. Frey:

The U.S. Energy Research and Development Administration (ERDA) is pleased to reply to the Legislative Referral Memorandum dated August 24, 1976, forwarded by Mr. Bernard H. Martin of your office requesting this Agency's views on the Commerce draft Bill entitled, "Federal Intellectual Property Policy Act of 1976." Title I of this Bill establishes a Federal intellectual property policy while Title II sets forth certain responsibilities in regard to that policy. Title III provides guidelines and criteria for the allocation of rights to inventions resulting from Federally sponsored research and development (R&D) made by both Government contractors and by Government employees. Title IV provides for a policy for the licensing of Federal-owned inventions both domestically and abroad.

Title I sets forth the Congressional findings and declaration of purpose calling for a uniform Federal intellectual property policy and Title II gives to the Federal Coordinating Council for Science, Engineering and Technology and Director of the Office of Science and Technology Policy, certain responsibilities for policy advisement and inter-agency coordination. ERDA has no objection to these provisions as long as the Board provided for in Section 202, which will review various agency determinations, is permanent in nature so that consistent and uniform review of ERDA's actions, as well as the actions of other Government agencies, is provided.

Chapter 1 of Title III provides a policy which would govern the allocation of rights to inventions made under Government contracts. Such policies of ERDA are presently controlled by Section 152 of the Atomic Energy Act of 1954, as amended, and by Section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (P.L. 93-577). Both of these Acts provide for a policy requiring the Government to take title to inventions made under Government contracts, with the provision that ERDA may waive such rights when deemed to be in the public interest.



In view of the fact that P.L. 93-577 placed a second patent policy on ERDA over and above the policy set forth in Section 152 of the Atomic Energy Act, Congress requested in Section 9(n) of P.L. 93-577 that ERDA should report to the President and to Congress the applicability of its existing patent policies affecting ERDA programs. In an initial report, entitled "The Patent Policies Affecting ERDA Energy Programs," ERDA-76-16, dated January 1976, ERDA reported that the limited experience it had under its two patent policies, along with the natural delay in the overall innovation process, did not permit a full evaluation of ERDA's legislative patent policies and that further evaluation was taking place.

Nevertheless, the report provided certain interim conclusions which indicated that the flexible nature of the two patent policies allowed such policies to be harmonized, permitted ERDA to accomplish its mission, and allowed most contracting problems to be resolved through negotiation. However, some negative aspects of the policy were identified including (a) the reluctance of some parts of industry to contract with ERDA in view of its primary "title taking" policy, (b) the delays in the contracting process caused by the often extensive negotiations for patent waivers, and (c) the view that full use was not being made of the incentives provided by the patent system. Although this evaluation process is continuing, ERDA found that its patent policies were not a stumbling block to accomplishing its mission, but that perhaps there were better ways to encourage the objectives of the patent policy that were set forth in Section 9(c) of P.L. 93-577. These objectives concerned the encouragement of participation in ERDA's R&D efforts, the fostering of competition, and the making of the benefits of ERDA's R&D available to the public in the shortest practicable time.

Chapter 1 of Title III of the draft Bill, however, provides for ownership of inventions to be left with the Government contractor with the Government acquiring a free license and certain rights that would insure utilization or availability of the invention where such utilization was not appropriately undertaken by the contractor. In this regard, the draft Bill emphasizes the reduction of the administrative burden and delays in the contracting process, as well as uniformity of Government action. Although ERDA is still in the process of assessing the patent policies that are applicable to it, the proposed contractor patent policy of Chapter 1 appears to be compatible with ERDA's mission and ERDA has no objection to such a policy if adopted on a Government-wide basis.

Mr. James M. Frey

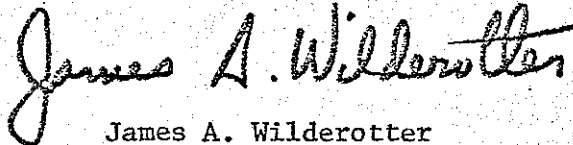
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Chapter 2 of Title III provides for the allocation of rights to inventions made by Federal employees in substantially the same manner as presently provided by Executive Order 10096. While ERDA's policy for allocating rights to Government employees follows the policy that is applied to inventions made by Government contractors, ERDA has no objection to the enactment of the employee patent policies of Chapter 2.

Title IV of the draft Bill provides for policies regulating the foreign and domestic protection and licensing of Federally-owned inventions. The provisions set forth in this Title are similar to those that are presently applicable to ERDA and ERDA has no objection to its passage.

In view of our express legislative patent policy, ERDA does not at present have a specific need for the policies and authorities set forth in the draft bill as suggested in the Statement of Purpose and Need. We do, however, recognize that the legislative underpinning of ERDA's patent authority are somewhat unique, and that other Federal agencies lack express statutory authority in the patent area. Further, we agree with the desirability of having uniformity and consistency among the various Federal agencies regarding intellectual property matters. Since the draft bill seeks to accomplish these goals and adopts policies which are a reasonable compromise of conflicting considerations, we would not object to its passage.

Sincerely,



James A. Wilderotter
General Counsel