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December 1, 1977

Mr. Roger Jansen
Office of General Counsel
Honeywell, Inc.
Honeywell Plaza
Minneapolis, Minnesota 55408

Re: H.R. 6249 "Uniform Federal Research and Development Act of 1977" (Thornton).

Dear Roger:

I have reviewed H.R. 6249 (now H.R. 8596) and offer my comments thereon (which comments should not be construed as those of 3M).

First, I heartily endorse the Bill's "license policy" basis, i.e the policy of giving the Government, as a minimum, "a non-exclusive, non-transferable, irrevocable, paid-up license to a subject invention", Sec. 313 (a)(2), while resting in the contractor a "defeasible title", Sec. 314. Such policy will help "encourage the participation of the most qualified and competitent contractors" etc., Sec. 102 (3). Also see the justification of that policy in draft comments prepared by the ABA PCL section, sent to you by C. S. Haughey on October 26.

Secondly, because it may make Government procurement less complex, I endorse the purpose of the Bill to "establish a uniform Federal system", Sec. 102(1), particularly since the Bill provides for exceptions in Sec. 311 and "a Federal agency may deviate on a case-by-case basis from a single patent rights clause", Sec. 315 (d), no doubt because it has long been recognized that "It is not feasible to have complete uni-

formity of practice throughout the Government in view of the differing missions and statutory responsibilities of the several departments and agencies in research and development" (President Kennedy's October 1963 Memorandum and Statement of Patent Policy).

Now, I'd like to point out that some things about the bill trouble me and persuade me not to endorse the Bill without some reservations.

First, in order to retain title under the Bill, the contractor, at the time he elects to file a patent application on a subject invention, must also file a declaration of his "intent to commercialize or otherwise achieve the widespread utilization of the invention by the public", Sec. 312, or, stated somewhat differently, (and I don't know why), "declares its intent to achieve practical application of the subject invention", Sec. 314. (The various Federal agencies, in promulgating the regulations implementing the Bill, may require evidence or detail supporting such declaration.) What bothers me about this is that the contractor, at the time of filing the application, may not have commercial interests sufficiently established to enable him to declare such intent or provide support therefor, if it need be - he may not have at the time of filing the application a plan or program for bringing the invention to the point of practical or commercial application. I would suggest that these provisions of the Bill be amended so that the filing of the declaration be required not at the time of filing but rather at least three years after filing the application - better still, after issuance of the patent (say within a year of issuance) since his business plans may be contingent on such patent.

Sec. 313(a)(2)(B) requires the contractor to make written reports on commercial use when requested. I think such reports should be required only after a reasonable time has elapsed following the filing of the application, say after at least three years following filing, and better still, after three years of issuance of the patent, since it very likely would be premature to make such reports until at least such elapse of time. And, in (B), I think that the phrase "reports on the commercial use" should be amended to read "reports on the commercial use that is made or intended to be made" (though the same could be effected by inserting a comma after "use" and after "public").

The right of the Federal agency, in Sec. 313(a)(2)(C), to require the contractor to grant licenses to others in any field, should be amended so that such requirement arise only after a reasonable time has elapsed after the contractor files the application or after it issues, say, three years - again, so to give the contractor a reasonable time to exploit the invention. And it seems to me that certainly a comma must have been inadvertently omitted after the phrase "to grant such license itself" in Sec. 313(a)(2)(C), (D) and (E).

I was first troubled when I came upon Sec. 313(a)(2)(E), giving a Federal agency the right "commencing ten years from the date of the subject invention was made or seven years after first public use or sale" to require the contractor to license the subject invention. But reading further, I found that Sec. 315(a) provides that the period of the contractor's exclusive commercial rights could be extended "where such extension would support the overall purposes of the Act".

Since the contractor's business plans or activities may well be proprietary, the required declaration or report of that information under Sec. 313(a)(2)(B) and (b) and Sec. 314 (and probably elsewhere in the Bill) should be exempt (like under the Freedom of Information Act, 5 USC 552(b)(4)), if the same is trade secret or confidential commercial or financial information (though frankly this would have to be balanced someway by the implied public right to know whether sufficient utilization of the invention was being made by the contractor).

Lastly, because it might add or lend support to what I consider unwise current moves (e.g. H.R. 4331 introduced by Congressman Vento) to require private employers to allow employee-inventors to retain title or make cash awards to inventors, I do not favor that portion of the Bill that provides monetary rewarding a Federal employee-inventor, Sec. 326, where his invention does bear a relation to his duties or was made in consequence of his employment or he made use of a "contribution by the Federal Government of facilities, equipment, materials, funds or/of time or services of other Federal employees on official duty (cf. Sec. 322(b)). These factors should be added to Sec. 323(a)(1) as criteria negating rights to the Federal employee-inventor, and the last factor, viz., information or

"a contribution by the Federal Government", etc., should be added to Sec. 322(a) and should be included in Sec. 322(b) rather than excluded from that section by the word "but". Note in this respect that the Minnesota legislation passed in 1977 (the so-called "Freedom to Create" bill, HF 763 and SF 208 ) does not make it against public policy for an employer to require assignment of inventions made by an employee where the "equipment, supplies, facility or trade secret information" of the employer was used by the employee in making the invention. Additionally, I know of no meaningful, empirical, data developed to establish these supposed equities of the Federal employee-inventor that the Bill addresses, and absent such data, the Bill is legislating in the dark.

At this time, I have no views regarding the provisions (Title IV) allowing the Government to license federally-owed inventions.

As a course of action for your MPTLA committee, I suggest submitting for approval of the general MPTLA membership, the following resolution:

> "The MPTLA [or maybe just your committee] supports the 'license policy' and 'uniform' procurement aspects of H.R. 6249 (now H.R. 8596) but has reservations about those provisions which (1) divest or delimit the contractor of his rights in a subject invention without giving him a reasonable time to exploit the invention, (2) make public his proprietory trade secret or commercial or financial information required to be reported to a Federal agency for purposes of maintaining his rights in a subject invention, (3) permit monetary rewards to Federal employee-inventors, and (4) permit title to be retained by a Federal employee-inventor of an invention made with a contribution by the Federal Government of facilities, equipment, materials, funds, or information, or of time or services of other Federal employees on official duty."

Perhaps the resolution could empower your committee to submit the above resolution to appropriate Congressional committees and other interested parties and to authorize the committee to submit with the resolution argument or detail in support thereof, and suggested amendments curing the above-noted deficiencies.

Actually, I would prefer that action by the MPTLA be postponed until your committee (rather, its successor) has more time to consider the Bill and get the benefit of the views of other associations, etc.

Very truly yours,

William G. Ewert

WGE/mh

cc: MPTLA Government Patent
Policy Committee Members:

Albin Medved
Edward L. Schwarz
Cruzan Alexander