

FEDERAL COUNCIL FOR SCIENCE AND TECHNOLOGY  
COMMITTEE ON GOVERNMENT PATENT POLICY  
U.S. DEPARTMENT OF COMMERCE BUILDING  
WASHINGTON, D.C. 20230

PATENT BRANCH, OGC  
DHEW

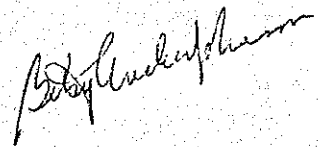
AUG 20 1976

AUG 25 1976

MEMORANDUM FOR Members of the Committee and the Executive Subcommittee

From: Dr. Betsy Ancker-Johnson  
Chairman

Subject: Package Forwarded to OMB



Enclosed is a copy of the Committee project regarding the draft Bill entitled, "Federal Intellectual Property Policy Act of 1976," forwarded to OMB for official clearance.

The package contains a draft of a speaker letter indicating that the Bill is to be cosponsored by H. Guyford Stever, Director of the Office of Science and Technology Policy, and Elliott L. Richardson, Secretary of Commerce. It is noted that the sponsorship of the Bill is subject to change inasmuch as the Bill could be sponsored by the President or by OSTP or Commerce individually.

The Second item in the package is a draft Statement of Purpose and Need which highlights the history leading to the development of the Bill and the reasons legislation is being sought.

The third and fourth items in the package are the draft Bill itself, as approved by the Committee during the July 27, 1976 meeting, together with a section-by-section analysis thereof.

The package will be sent to the designated legislative liaison officers of your agency by OMB and your cooperation in their consideration of the package is appreciated.

The package is being sent simultaneously to Dr. H. Guyford Stever, in his capacity as Director of the newly-created Office of Science and Technology Policy, for his further consideration and final approval.

I also wish to take this opportunity to thank all of you for your past and continued assistance in developing this draft Bill, the passage of which will resolve a longstanding and very important policy issue.

Enclosure

ADDRESSEES

Committee on Government Patent Policy  
Members

Philip G. Read, GSA, Vice Chairman  
James A. Wilderolter, ERDA  
Dr. Michael Pallansch, USDA  
Dale R. Babione, DOD  
Walter Henderson, DOD Alternate  
Dr. Lowell Harmison, HEW  
Douglas M. Parker, HUD  
Moody R. Tidwell, III, DOI  
Bruce B. Wilson, DOJ  
Joel W. Biller, DOS  
Barnett Ancelet, DOT  
C. Richard Boehlert, EPA  
S. Neil Hosenball, NASA  
Howard K. Shapar, NRC  
Thomas F. Engelhardt, NRC Alternate  
Charles F. Brown, NSF  
C. Marshall Dann, PTO

Observers

William C. Bartley, OSTP  
Hugh E. Witt, OFPP  
Charles Goodwin, OFPP Alternate

Executive Subcommittee

Members

James E. Denny, ERDA, Chairman  
M. Howard Silverstein, USDA  
Robert B. Ellert, DOC  
Barry L. Grossman, DOC Alternate  
Joseph E. Ruzs, AF  
William G. Gapcynski, Army  
William O. Quesenberry, Navy  
Norman J. Latker, HEW  
Donald R. Fraser, DOI  
Miles F. Ryan, Jr., DOJ  
Joseph A. Hill, DOJ Alternate  
Harold P. Deeley, Jr., DOT  
Benjamin Bochenek, EPA  
Philip G. Read, GSA  
Robert F. Kempf, NASA  
Jerry A. Cooke, NRC

FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING, AND TECHNOLOGY  
COMMITTEE ON INTELLECTUAL PROPERTY AND INFORMATION

~~FEDERAL COORDINATING COUNCIL FOR SCIENCE AND TECHNOLOGY~~ PATENT BRANCH, OGC  
~~COMMITTEE ON INTELLECTUAL PROPERTY AND INFORMATION~~  
DHEW

U.S. DEPARTMENT OF COMMERCE BUILDING

WASHINGTON, D.C. 20230

JUN 3 1977

May 27, 1977

MEMORANDUM FOR Members of the Subcommittee on Intellectual  
Property

From: O. A. Neumann *O. A. Neumann*  
Executive Secretary

Subject: Review of Comments Received by OMB Following  
Circulation of the Proposed Legislation  
Drafted by the Committee on Government Patent  
Policy.

Comments were received from all of the agencies solicited by OMB except from ACDA and the Smithsonian. It is noted that ACDA on other policy issues in the past has gone along with the DOD position.

In addition, CEA, EPA, FCC, and the Postal Service advised that comments would not be made on the proposed legislation.

The comments from CEQ, FEA, FPC, HUD, NASA, NRC, and USDA basically favor the proposal or note that specific comment would not be made.

Supportive statements on the proposed legislation and suggested revisions were made by CSC, DOD, DOI, DOS, ERDA, GSA, HEW and the Department of the Treasury. The sections recommended for revision by these agencies are highlighted in Enclosure No. 1.

Some negative comments on the proposed legislation were made by DOJ, DOT, NSF, OFPP, SBA and TVA. Enclosure No. 2 addresses the negative comments and problems noted by these agencies.

Please be advised that my analysis of the comments was made on December 21, 1976, and as they related to the Committee proposal and not H.R. 6249.

Copies of the individual agency comments have not been provided. However, if a member believes a comment has been paraphrased inaccurately by the Executive Secretary in the analysis, the agency comment will be available during the June 9, 1977 meeting.

2 Enclosures

1. Sections recommended for revision.
2. Negative comments

<u>Commentor</u>	<u>General</u>	<u>Suggested Revisions</u>
CEA	Economic input  (Taken care of by second letter dated 9/17/76.)  [Make appropriate revisions to Section-by-Section Analysis in all sections which are modified as a result of the comments received.]	<p><u>§§ 201.(a) and (b)</u></p> <p><u>Paraphrased</u> - CEA did not believe that the Director of OSTP, the staff agency advising the President on policy matters, (a) should make recommendations to the agencies through appropriate channels, or (b) get involved with appointing members to the BOARD which would hear appeals.</p> <p><u>Disposition</u></p> <p>(a) Suggested - <u>§ 201.(a)</u> - Believe that policy recommendations by the Director of OSTP are appropriate.</p> <p><u>§ 201.(b)</u> - The removal or cancellation of the BOARD from the proposed legislation would obviate the Director's involvement.</p> <p>(b) Actual - <u>§ 201.(a)</u> -</p> <p><u>§ 201.(b)</u> -</p>
CSC		<p><u>Chapter 2, Title III</u> <u>§ 326.</u></p> <p><u>Paraphrased</u> - (a) Page 18, lines 17-18, delete the sentence "Existing statutory provisions shall remain unaffected by this section."; and</p> <p>(b) Page 20, line 1, delete "agency" and insert -- activity --.</p> <p><u>Disposition</u></p> <p>(a) Suggested - (a) This sentence was added in response to CSC's request. Deletion is appropriate since the limits of awards would be raised by the legislation.</p> <p>(b) This proposed language change was vetoed by the Executive Subcommittee. Still appears to be a problem inasmuch as CSC reads agency to mean <u>any</u> agency as opposed to the one headed by the Agency Head. No suggestion is offered.</p>

Commentor    GeneralSuggested RevisionsDOD  
continuedChapter 2. Title III  
§ 322.(b).

Paraphrased    - Stressed need for Federal employee legislation. Do not see as great a need for legislation in the contractor area.

Disposition

(a) Suggested - "Kaplan" case was won by the Government on appeal. The all-inclusive nature of the proposed legislation appears desirable and one aspect should not be stressed over another.

(b) Actual       -

Chapter 2. Title V  
§ 521.

Paraphrased    - Add to list of acts to be amended or repealed as reference to  
(a) 16 USC 831(d)(i) re TVA;  
(b) 15 USC 2054(d) re Consumer Product Safety; and  
(c) 30 USC 323 re Synthetic fuel demonstration plants.

Disposition

(a) Suggested - Add to list as suggested. Touch base with agency or program involved and make sure cite is accurate.

(b) Actual       -

Commentor    GeneralSuggested RevisionsDOS  
continuedChapter 1. Title III continued  
§ 311.(b)(1)

Paraphrased    - Page 8, line 6, delete the words "any country" and insert -- the United States --;

Disposition

(a) Suggested - Suggestion is not well taken since in those situations where the contractor does not wish to file in the United States, the agency has the right to do so if it desires.

(b) Actual       -

§ 311.(b)(2)(C)

Paraphrased    - Read this "march-in" right to apply to foreign-owned patents as well as the U.S. patent - also that responsible applicants included foreign applicants.

Disposition

(a) Suggested - No revision believed necessary. Is there a problem requiring a change in language?

(b) Actual       -

§ 311.(b)(2)(D)(i)

Paraphrased    - [Read this march-in right to apply to foreign-owned patents as well as to U.S. patents - also that responsible applicant included foreign applicants.] If this interpretation is correct, add the following between lines 12 and 13 on page 10: -- (iii) To facilitate the implementation of United States foreign policy objectives regarding the promotion of economic development and political stability in developing countries: --

Commentor	General	Suggested Revisions
GSA		<p><u>§ 403.</u></p> <p><u>Paraphrased</u> - While GSA has been given the responsibility for promulgating licensing regulations under the 1971 Presidential Statement, they believe the responsibility may be more appropriately placed elsewhere.</p> <p><u>Disposition</u></p> <p>(a) Suggested - Revise section to make Commerce or some other agency responsible for issuing the implementing licensing regulations.</p> <p>(b) Actual -</p>
HEW	[Asked that "Statement of Purpose and Need" be expanded to include discussion of options considered in the development of proposal. OFPP also believed this was desirable.]	<p>Chapter 1. Title III</p> <p><u>§ 312.(c)(2)</u></p> <p><u>Paraphrased</u> - Add new § 312.(c)(2), and renumber following paragraphs accordingly.</p> <p>-- (2) The head of a Federal Agency may deviate on a class basis from the single patent rights clause normally used provided that such deviation is necessary to expedite resolution of an imminent public health problem. --</p> <p><u>Disposition</u></p> <p>(a) Suggested - Deviation should only be permitted on a case-by-case basis; however, regulation may provide for a class deviation.</p> <p>(b) Actual -</p>

Commentor    GeneralSuggested RevisionsHEW  
continued§ 326. continuedDisposition

- (a) Suggested - If not included, probably should be.  
(b) Actual -

Chapter 1. Title V  
§ 511.Paraphrased

- Include definitions near the beginning of the proposed legislation so as to give more visibility to the fact that the Act covers grant-sponsored research as well as contracts.

Disposition

- (a) Suggested - More often than not, definitions appear close to the front of an Act. Could do so, however, it appears that Title V, Miscellaneous, is a good "catch-all" area for the definitions.  
(b) Actual -

Treasury

§ 402. (f).Paraphrased

- Would like to see all receipts deposited in the Treasury and suggested the following language:  
-- (f) To receive funds from fees, royalties and other management of Federally-owned inventions authorized under this Act, which are to be deposited in the Treasury as miscellaneous receipts; and --.



Commentor    General

DOJ

A. Policy Issues.

The DOJ comment:

1. Sets forth background and the department's historical policy position of title acquisition by the Government;

Disposition

(a) Suggested - None needed.

(b) Actual - None needed.

2. Noted that the department is not convinced that title in the contractor will achieve utilization more rapidly;

Disposition

(a) Suggested - The added incentive of title in the contractor will more likely tend to achieve utilization more rapidly than not. In addition, where the contractor does not move the invention toward commercialization, the contractor MUST license the invention to interested third parties.

(b) Actual -

3. Mentions need for quid pro quo, and states that department is not convinced that title in contractor provides it;

Disposition

(a) Suggested - The proposed legislation provides a quid pro quo in shortening the 17-year patent monopoly to 10 years from making the invention, or 5 years after commercialization, whichever occurs first, in appropriate situations.

(b) Actual -

Commentor    GeneralDOJ  
continued

- ( iv) Under ERDA's policy, each R&D contract action may be subject to "advanced waiver" or "waiver after identification" considerations. Under the proposed legislation, consideration would have to be given to the relatively few situations where third parties wish a license under the "march-in" rights and are refused. - See discussion of policy issue #6.

(b) Actual    -

7. Wondered about problems created by the BOARD, and whether license policy would lower contracting costs.

Disposition

- (a) Suggested - ( i) Any problems with respect to the creation of the BOARD would be negated by the deletion of the provision providing the BOARD.
- (ii) The contracting costs to the agencies and the contractor would be reduced by the drastic reduction in administering and implementing the proposed legislation. Whether or not such costs reductions would show up as a reduction in the actual costs of the contract is not known, but certainly any possible increase in contract cost would more likely occur under the existing patent policies.

(b) Actual    -

B. Suggestions

The department suggested that:

1. The above-noted policy issues be explored (studied) in detail by OMB before Administration takes a final position.

Commentor    General

DOT

A. Statement of Purpose and Need

DOT noted error in Statement of Purpose and Need with regard to Committee unanimity on proceeding with the Alternate Approach.  
[It is suggested that the Statement be changed to read that it was the consensus of the Committee to proceed with the Alternate Approach.]

B. Policy Issues

The DOT comment:

- i. Stated that the contractor is not always the best qualified or equipped to provide for the development and exploitation of an invention. Because of this, DOT recommends an ad hoc evaluation - case-by-case decision.

Disposition

- (a) Suggested - The inventing source normally has the greatest interest in an invention. Furthermore, if the contractor does not proceed to develop and market an invention, he is required to license third parties. Such a license may include background and proprietary information, related patentable material, technical aid, and other valuable assistance, not usually available from a Government license. Finally, the statistical data with respect to DOT presently show very limited patentable activity which could very well increase with a change in policy which permitted the contractor to retain title subject to "march-in".
- (b) Actual -

Commentor General

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DOT continued B. Policy Issues continued

3. Objected to prohibiting DOT, which favors the ad hoc analysis method, from employing that method. Accordingly, it opposes the proposed legislation.

Disposition

- (a) Suggested - One of the purposes of the proposed legislation is to provide uniformity among agency practices. To permit individual agencies to operate as they wish would, of course, be contrary to this stated purpose. In addition, the data compiled on the DOT patent operation show that the DOT policy would be impacted insignificantly by the change in the proposed policy.
- (b) Actual -

NSF The NSF comment stated that NSF does not oppose the proposed legislation but has some misgivings.

Issues Raised

1. Favored more complete review by OSTP before the next session of Congress.

Disposition

- (a) Suggested - None needed.
- (b) Actual - None needed.

Commentor    GeneralNSF  
continued

4. Questioned whether the regulations and procedures necessary to implement the proposed legislation would add to the burdens of the Government and society.

Disposition

- (a) Suggested - The uniform policy provided by the proposed legislation would result in the issuance of uniform regulations and procedures, and repeal all of the diverse regulations and procedures in existence. As a result, the burdens of the Government and society would be drastically reduced in the area of patent policy in R&D procurement.
- (b) Actual -

OFPP

Policy Issues

OFPP commented that:

1. Data should be developed showing the need for the basic change, set forth by the proposed legislation, from the Presidential Policy and the existing policies previously legislated by the Congress. Stated that perhaps Statement of Purpose and Need should be enlarged discussing this issue.

Disposition

- (a) Suggested - Statement of Purpose and Need probably should discuss in further detail the deliberations of the Committee in arriving at the proposed legislation. Data showing the administrative burden are available and should be fully developed for the Congress.
- (b) Actual -

Commentor General

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OFPP Policy Issues continued  
continued

3. continued

(a) Suggested continued

2. The authorities of OFPP could very well be the vehicle used by the Director in seeing to it the the recommendations are implemented.

(b) Actual -

1.

2.

4. The establishment of a BOARD by the Director of OSTP is a problem inasmuch as it converts the advisory function of OSTP to an operational or management office.

Disposition

(a) Suggested - The deletion of the BOARD concept from the legislative proposal fully responds to this issue.

(b) Actual -

Commentor General

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OFPP Policy Issues continued  
continued

7. continued

Disposition continued

(b) Actual -

SBA Policy Issues

SBA commented that:

1. The BOARD should have representatives from the small business community.

Disposition

- (a) Suggested - Abolition of the BOARD makes this SBA proposal impossible. Even if the BOARD continued to exist, the draftees envisioned it to be staffed by Government officials.
- (b) Actual -

2. Chapter 1 of Title III of the proposed legislation favored larger firms in that

- (a) the resources of the larger firms are greater and would permit such firms to develop and commercialize more inventions than could a small firm; and
- (b) the applicability of the "march-in" rights, licensing requirements, may be unevenly applied so as to favor the larger firms.

Commentor General

SBA continued Policy Issues continued

4. Title III of the proposed legislation does not favor the small business firm, and urges title acquisition by the Government and exploitation of Federally-owned inventions by licensing as provided for in Title IV.

Disposition

- (a) Suggested - Disposition of comment No. 2 appears to answer this issue. SBA personnel should be contacted to educate them on the various aspects of the proposal.
- (b) Actual -

5. Four amendments should be made to meet the needs of small business, as follows:

- (a) Page 4, line 10, after § 102.(c)(4) insert:

-- (5) promote the growth and competitive status of small business. --

- (b) Page 9, line 14, at end of sentence before the period, add:

-- or if the Federal agency determines that such action is necessary because the interests of small business would otherwise be adversely affected --

- (c) Page 10, line 12, after § 311.(b)(2)(D)(ii) insert:

-- (iii) to assure that the interests of small business are not competitively disadvantaged. --

- (d) Page 10, lines 27-30, modify to read:

"... that the exclusive rights to such Subject Invention in the contractor has tended substantially to lessen competition or to work to the detriment of small business or to result in undue market concentration ..."



Commentor    GeneralTVA  
continued    Policy Issues continued

2. Most TVA inventions arise from TVA employees and resulting patents are normally offered on a nonexclusive basis at a nominal cost. Accordingly, TVA would like to continue to control its licensing activities.

Disposition

- (a) Suggested - Passage of the proposed legislation would in no way interfere with TVA's desires. TVA should be contacted so as to explain the intent of the provisions of the proposal.
- (b) Actual -
3. Widespread use of inventions resulting from contract R&D should be possible and this requires title acquisition by the Government.

Disposition

- (a) Suggested - The data suggest that this is not a problem since TVA has not reported inventions resulting from contractor R&D.
- (b) Actual -
4. The proposed legislation be amended to exempt TVA.

Disposition

- (a) Suggested - Data show that TVA policy is in accord with the proposed legislation with respect to the allocation of employee rights and licensing of inventions owned by TVA. Accordingly, the policy issues raised are not well taken. Also, since data on contractor inventions show no patent activity whatsoever, the policy of the proposed legislation would not interfere or change TVA's practices.
- (b) Actual -