



DEPARTMENT OF STATE

Washington, D.C. 20520

July 20, 1976

MEMORANDUM

TO : Mr. O. A. Neumann  
Executive Secretary  
Committee on Government Patent Policy  
National Technical Information Service

FROM : Harvey J. Winter  
Director  
Office of Business Practices  
Department of State

SUBJECT: Comments on the Proposed Omnibus Patent Bill

The State Department generally supports the formulation of a coherent and uniform government patent policy and omnibus patent bill. Our main interest is that the bill facilitate the acquisition, protection and exploitation of foreign rights to useful inventions resulting from government-sponsored R&D. We believe that the bill's general approach of granting title and right of exploitation to the contractor is probably the best way to promote this interest and thereby improve the U.S. trade balance through enlarged markets abroad and increased remittances of profits and royalties. We believe that the other major industrialized countries are by far the most important markets where contractors are likely to seek rights and obtain commercial advantages.

The situation with regard to the less-developed countries (LDCs) may be somewhat different. Firstly, we doubt that the possibility of acquiring exclusive rights in LDCs will in general be a major incentive to contractors. Furthermore we believe the Government should retain to the extent feasible its right and flexibility to sublicense in LDCs as one part of our over-all policy of promoting the economic development of the developing countries.

Access to and transfer of technology is an area of growing importance in our relations with the LDCs of Asia, Africa and Latin America. These countries view the industrialized West, especially the U.S., as the major source of technology vital to their continued development. The LDCs seek increased access to this technology on more favorable terms. In recent international meetings, such as the UN Conference on Trade and Development, the General Assembly of the OAS and the UN Seventh Special Session, the Governments of industrialized countries are increasingly committed to improved access by LDCs to government-owned technology. We believe that it is in the U.S. national interest for the US Government to have maximum flexibility and rights to make available, under appropriate terms and conditions, technology developed at public expense, subject to all relevant export controls. Therefore, we believe the Government should obtain rights to such technology to a greater extent than provided in the present draft Omnibus Bill (draft dated 7/2/76).

Our major area of concern is the march-in-rights of the individual agencies, especially those on page 9, line 20 ff. We are concerned by line 25 which provides that agencies "may acquire additional rights to sublicense...any foreign government..." at the time of contracting. Ideally, we believe that each agency should obtain at the time of contracting the right of future sublicensing of any inventions resulting from the contracted research to foreign parties should particular sublicenses be determined to be in the national interest, taking into account foreign policy considerations.

Under this approach we imagine that in only a very small number of cases would such sublicensing take place. In all such cases, the contractor's equities would be taken into account in making the necessary determination. We believe it important not to limit such sublicensing strictly to foreign governments, since in many LDCs our development strategy includes building up a vigorous private sector. By limiting sublicensing to foreign governments, we militate in favor of and encourage State-dominated economic systems - the antithesis of our general economic philosophy. We also

see no need to require that sublicensing as described above as part of our economic development programs abroad be carried out pursuant to any treaty or agreement. We would prefer to retain the flexibility to sublicense both in implementation of agreements or otherwise, either to foreign governments or private or State-owned firms.

In light of the foregoing, we propose that the draft bill be amended in two places. Our suggested amendments are attached and we hope the Committee will concur in our proposals. Other parts of the bill require further clarification but parts of these details will be taken up with the Executive Subcommittee.

Attachment:  
Proposed Amendments.

cc: Dr. Betsy Ancker-Johnson

PROPOSED AMENDMENTS

1. On page 9, change lines 25-31 to read as follows:  
...any Federal agency); the right to sublicense to foreign parties any inventions resulting from the contract if the agency determines that such sublicensing would be in the national interest, taking into account the contractor's equities, US commercial interests, foreign policy considerations and other relevant factors, and it may acquire additional rights to sublicense any State or domestic local government [or to sublicense any foreign government pursuant to any existing or future treaty or agreement] when the Federal agency determines it would be in the national interest to acquire such rights;
  
2. On page 17, change lines 7-13 to read as follows:  
... on official duty; in such cases the agency shall acquire the right to sublicense to foreign parties such inventions if the agency determines that such sublicensing would be in the national interest, taking into account the employee's equities, U.S. commercial interests, foreign policy considerations and other relevant factors, and the Federal agency may acquire additional rights to sublicense any State or domestic

local government [or to sublicense any foreign government pursuant to any existing or future treaty or agreement] where the Federal agency determines it would be in the national interest to acquire such additional rights;

NOTE: Underlined portions contain proposed new language; language in brackets appears unnecessary and should be deleted if Committee agrees to proposed changes.

Changes Suggested by NASA to Omnibus Government-wide Patent Bill

Page 1:

Line 3, the word "National" in the title is questioned. Shouldn't this be -- Federal -- ?

Page 5:

Line 12, it is suggested that the level of the designee of the Director be limited to the level of at least Assistant Director.

Page 8:

Line 26, delete "If the."

Lines 27-30, delete in their entirety, and substitute:  
-- The Federal Government may withhold publication or release to the general public information disclosing such invention for a reasonable time in order for a patent application to be filed. --

Comment: This makes clearer the intent to be able to withhold under FOIA.

Page 15:

Line 8, delete "and" and substitute -- (B) contracts for the operation of Government owned facilities, and -- .  
Line 9, substitute -- (C) -- for "(B)."

Page 21:

Line 18, delete "review by the Civil Service."  
Line 19, delete "Commission under."

Comment: It should be sufficient that the required determinations be made pursuant to regulations of the Commission. Objection is taken to possibility of case-by-case review, as the present language indicates.

Page 22:

Line 19, delete "Sue for infringement," and substitute -- enforcement pursuant to the provisions of Title 35, Chapter 28, United States Code. --

Comment: This is a more precise statement of rights that may be available to licensee.

Page 23:

Prior to line 1, add -- To withhold publication or release to the public information disclosing any invention in which the Federal Government owns a rights, title or interest for a reasonable time in order for patent protection to be obtained thereon. --

Comment: Again, this is a positive statement of authority to withhold under FOIA.

Lines 3, 7, and 15, reletter "(e)", "(f)" and "(g)" to -- (f) --, -- (g) -- and -- (h) --, respectively.

Page 33:

Line 9, change "(b)" to -- (c) --.

Line 10, change "(15)" to -- 14 --.

Line 17, change "(c)" to -- (d) --.