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MEMORANDUM FOR Dr. Betsy Ancker-Johnson
Chairman, Committee on Government Patent Policy

Dr. H. Guiford Stever, Director, Office of Science and Technology Policy

SUBJECT: Government Patent Policy

Reference is made to the Chairman's memorandum of August 20, 1976 forwarding a draft bill "Federal Intellectual Property Policy Act of 1976."

As you know, the draft bill proposes a major shift to a Government patent license policy from the Government patent title policy generally reflected by Congress in the NASA, AEC, ERDA nonnuclear and other legislation and from the President's flexible patent policy providing for taking either title or license depending upon the categories of circumstances outlined. The President's patent policy was enunciated originally in 1963 and reiterated with minor modifications in 1971.

As the Chairman's memorandum points out, the 1965 congressional effort to establish a uniform patent policy was along the lines of the President's flexible patent policy. The Harbridge House study, conducted under the auspices of the Government Patent Policy Committee, recommended retention of the President's flexible patent policy as did the

Committee itself in 1969. The report of the Commission on Government Procurement (December 31, 1972) recommended implementation of the President's flexible patent policy, with repeal of the specific agency- or program-oriented statutes that stood in the way of uniform application of the President's policy. The Commission did urge consideration of an alternative patent license approach, but only if, following an unspecified period for testing the efficacy of the President's policy, "evaluation of experience" indicated a need for policy revision. In March 1974, pursuant to the recommendations of an interagency task force composed for the most part of the members of the Patent Policy Committee, an executive branch position was adopted to accept the Commission's recommendations to implement the existing President's patent policy and undertake the repeal of conflicting legislation. The executive branch position to implement the President's patent policy was referred to the FCST and in turn to your Committee for development of implementing action.

A major concern to us in considering the proposed bill -- and we think also to Congress -- is the justification for departing from the established congressional and Presidential policy. We think it essential that we be furnished with the detailed information, data, or other

"evaluation of experience under the revised Presidential policy" which indicates a need for a basic change to the "alternative approach" which the Committee agreed should be the basis for legislation. It would also seem appropriate to include some discussion along these lines in the statement of purpose and need proposed for submission to Congress.

Comment is also requested in connection with the following matters:

Authorization under Section 201(a)(c) for the Federal Coordinating Council for Science, Engineering, and Technology to make recommendations with regard to patent and data matters would appear to be duplicative and of questionable need in the light of the broad authority given the Coordinating Council under Title IV of P.L. 94-282. Under equivalent authority in the FCST, the Committee on Government Patent Policy was established and has been functioning.

Section 201(b) directs that Council recommendations adopted by the Director OSTP "will be promulgated." This appears first, to give operational and directive authority to

an office intended to be advisory only, and, second, to impinge on the authority of the Office of Federal Procurement Policy to promulgate uniform procurement policies.

Section 202, in providing for the Director, OSTP, to establish or designate boards for intellectual property, also appears to convert the OSTP from an advisory to an operational or management office.

There are considerable ambiguities and questions relating to the administration of the Government "march-in" rights, including the provisions for determination of contract disputes thereunder. It is not clear under Section 202 whether the boards for intellectual property are to be in lieu of or in addition to the regular boards of contract appeals for the adjudication of patent contract disputes. In some cases (Section 311(b)(2)(D)(E)(F)), it appears that the boards for intellectual property are to make initial decisions in lieu of agency heads or contracting officers. While board decisions are made appealable to the Court of Claims, this does not seem to recognize the concurrent jurisdiction of district courts in certain

contract appeals and there is no indication whether court appeals will be on the basis of Administrative Procedure Act standards of review, Wunderlich Act standards of review, other standards of review, or no standards of review so as to amount to a de novo trial. Court of Claims jurisdiction is now limited to monetary judgments and it is not clear how this would apply to the allocation of patent rights under Government contracts.

The provision under Section 311(b)(3) for the board to consult with the Council and Federal agencies would appear incompatible with normal due process standards of the boards of contract appeals which require all statements to be on the record and inhibit ex parte communications in the determination of contract disputes. The intervention of third parties under Section 311(b)(2)(D)(E)(F) is also a departure from customary board of contract appeals practice. Another anomaly is the authority of the board for intellectual property under Section 312(b)(3) to specify terms, conditions and royalties for "march-in" licenses, this seems more in keeping with an agency contract administration or contracting officer function than a board contract dispute adjudication function.

Underlying these ambiguities and problems appears to be a basic uncertainty as to whether the march-in rights involve justiciable standards which lend themselves to traditional adversary contract dispute procedures or involve socioeconomic

issues calling for a high degree of policy judgment and administrative discretion. Once the basic question is resolved, we would be in a better position to consider what mechanisms and procedures are appropriate. Absent good reasons for special treatment, it would seem preferable to stay with established systems for the resolution of contract disputes.

In evaluating the proposed legislation as an alternative to the President's patent policy and the congressional patent policy reflected in current statutes, it would also be helpful to know what agency or interagency administrative mechanisms and procedures are contemplated to assure that the Government march-in rights will be enforced and effective as a means of promoting the marketing of innovations without unduly discouraging contractors from participating in Government procurement.

Your comments on these aspects of the proposed bill will be appreciated.