

★

STATEMENT  
OF  
JAMES E. DENNY  
ASSISTANT GENERAL COUNSEL FOR PATENTS  
U.S. DEPARTMENT OF ENERGY  
BEFORE THE  
SCIENCE, RESEARCH, AND TECHNOLOGY SUBCOMMITTEE  
HOUSE COMMITTEE ON SCIENCE AND TECHNOLOGY  
OCTOBER 16, 1979

Mr. Chairman, members of the Subcommittee, I am James Denny, Assistant General Counsel for Patents of the Department of Energy (DOE). I have held that same position for the Energy Research and Development Administration (ERDA) and the Atomic Energy Commission (AEC). Presently, I chair the Subcommittee on Intellectual Property of the Federal Coordinating Council for Science, Engineering, and Technology. As I have been deeply involved in the issue of Government patent policy for over 15 years, I sincerely appreciate the opportunity to appear before this Subcommittee and comment on this issue. For the purpose of these remarks, the term Government patent policy shall be limited to the issue of the allocation of rights to inventions between the Government and its contractors.

This issue was not a problem prior to World War II primarily because most of the Government's research, development and demonstration (R,D&D) efforts were performed by Government employees in Government laboratories. Since World War II, however, the Government has steadily increased its commitment in financing this country's R,D&D efforts to the point where in 1978 the Federal Government's R,D&D expenditures were \$23.8 billion, amounting to approximately 50 percent of the research and development supported in this country.

The approach to resolving this issue of increasing importance varied considerably depending upon the agency involved, the mission of the R,D&D program, or the type of research being conducted. The approach varied depending upon whether support was directed to basic research with universities through a grant program of the National Science Foundation, basic or applied health research by the National Institutes of Health, a military weapon systems developed by the Department of Defense, or a synfuels program by the Department of Interior.

As the Committee knows, the debate on the Government patent policy issue has gone on for over 30 years and is one in which both the Executive Branch and the Congress have failed to date to agree upon uniform policy guidance. The guidance provided by Congress has not been consistent and has sometimes applied to a single agency, sometimes to an individual agency program, and sometimes to an R,D&D program which crossed agency lines. Also, this policy guidance has varied from an inflexible policy requiring an agency to always take title to inventions to policies which provide substantial flexibility. The Executive Branch has attempted to establish a consistent Government-wide policy approach through Presidential patent policy statements that are applicable in situations not covered by legislation, and which are flexible depending upon the agency mission and the intended end-use of the technology being supported.

As I am sure you are aware, the Administration is presently reviewing its own position on the issue of Government patent policy. This review

will not be completed until later this year, and I cannot, therefore, bring to you an Administration position. What I can do is provide the Subcommittee with information regarding the patent policy of DOE and our experience under it. In addition, I would like to comment on the most critical patent policy issues based on my experience as patent counsel for DOE/ERDA/AEC, and from the various positions I have held in the patent policy area with the Federal Government.

One of the most detailed and recent expressions of Congressional patent policy was that developed for ERDA in December of 1974 by a Congressional/Executive Branch task group. That policy, now applicable to DOE, normally requires the Government to take title to inventions made under R,D&D contracts, but also provides the flexibility to enable DOE to waive these patent rights, subject to certain limitations and conditions. This policy, found in Section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (Public Law 93-577), covers DOE's R,D&D contracts in the nonnuclear area and is more fully described in Attachment i to my Statement which I would like entered into the record.

DOE's nuclear patent policy is controlled by Section 152 of the Atomic Energy Act of 1954, as amended. This policy similarly requires the Government to normally take title to inventions and provides the authority to waive this right. The primary difference between the nuclear and nonnuclear patent policies is that Section 9 of the Nonnuclear

Act provides substantially more detailed guidance and criteria for the application of the waiver policy than does Section 152 of the Atomic Energy Act. The two, however, are not inconsistent and have been harmonized in DOE's Procurement Regulations of 41 CFR Part 9-9. These regulations (Attachment 2) are also submitted for the record.

Congress requested ERDA in Section 9(n) of the Nonnuclear Act to report to the President and Congress on the applicability of its existing patent policies along with any recommendations on mandatory patent licensing which were believed desirable. Such a report, entitled "The Patent Policies Affecting ERDA Energy Programs," (ERDA-76-16) dated January 1976, was submitted to Congress and the President. This report, which provided the information then available, indicated that it was preliminary in nature in view of the fact that insufficient experience had been obtained under the new patent policies and insufficient information and data were known regarding mandatory patent licensing. The final report under Section 9(n) is in the process of being prepared, so it is somewhat premature to provide you with DOE's full conclusions regarding these issues. The report will indicate, however, that the nuclear and nonnuclear patent policies applicable to DOE are technically sufficient and appropriately flexible to allow DOE to support the wide variety of R,D&D activities that it must undertake in literally every field of technology, and with a wide variety of private, industrial, and university entities. On the other hand, the report will indicate that the DOE policies are not without problems and substantial administrative work load.

As I said before, DOE's nuclear and nonnuclear patent policies provide the flexibility to grant waivers of the Government's rights in inventions made under our R,D&D contracts, and we have made use of that flexibility. DOE has utilized its ability to grant both "advance" waivers at the time of contracting, which cover all or part of the inventions to be made under a contract, and "identified" waivers to individual inventions on a case-by-case basis. We have granted waivers to the largest corporations in America, and to firms which employ six people. We have granted waivers to all inventions to be made under a contract, and only to inventions which fall within a particular field of technology. We have granted waivers covering both domestic and foreign rights to inventions and waivers only to foreign rights. We have granted waivers to individually identified inventions as well as to all inventions of a class of contractors undertaking a particular type of work. Our waivers have been limited in fields of technology, fields of use, and period of duration. We have also denied waivers where it was believed not to be in the public interest to grant them and have discouraged waiver petitions during contract negotiations where they would obviously not be granted.

Typical situations where DOE will grant a waiver at the time of contracting are where DOE is:

- cost-sharing the R,D&D effort with the contractor;
- buying into a contractor's presently ongoing private R,D&D effort;

- allowing the private use of DOE facilities at full cost reimbursement;
- in need of a particular contractor necessary for our program which will not contract without a waiver; and
- contracting with small businesses.

For identified waivers of individual inventions, the primary criteria are whether or not the invention involved in the waiver appears to need additional R,D&D efforts in order to commercialize it, whether DOE or other Government agencies plan to provide additional funding, and, in the case of a university, whether it has an approved patent program. In all waiver decisions, we consider the competitive impact of the rights retained by the contractor and those acquired by the Government, and, where believed to be in the public interest, DOE has acquired some rights to a contractor's privately developed background technology.

Statistics regarding DOE's waiver experience can be in large measure misleading when viewed without an understanding of our flexible administrative procedures. Our approach to waivers is to negotiate them as early in the contracting process as possible, to encourage informal inquiry regarding the possibilities of obtaining a waiver, to discourage what would appear to be frivolous requests for waivers, and to encourage the withdrawal or modification of waiver requests where appropriate. Accordingly, formal and informal waiver requests are frequently modified during the negotiation process, and defy analysis as to when they were received and acted upon and whether they were denied in part or granted in part. In addition, many waiver situations will show substantial delays prior to a

final decision, some of which are the fault of DOE and some of which are the fault of the requestor.

The three most relevant pieces of information I would like to give you regarding the current administration of our legislative waiver policy are:

- (1) we have granted advance waivers to approximately 3 percent of the prime contracts and major subcontracts to which they could have been made applicable;
- (2) we have granted identified waivers to approximately 1 percent of the individual inventions which are reported under contracts and subcontracts; and
- (3) the whole waiver process is a substantial administrative work load for both DOE and its prospective and actual contractors.

With the above warning on the usefulness of additional statistics, the following statistical information is provided. Since the beginning of ERDA in January of 1975, through the month of September 1979, ERDA/DOE has granted advance waivers to 222 out of the approximately 8,300 prime contracts and major subcontracts to which waivers could have been made applicable. During that same time, ERDA/DOE has obtained approximately 6,800 invention disclosures under its R,D&D contracts and subcontracts and has granted 87 identified waivers on these inventions.

Currently, we receive approximately 100 formal requests, or petitions, annually for advance waivers on some 2,400 prime contracts and major subcontracts. Our current backlog of pending advance waiver requests is

66. Those advance waiver requests that are holding up contract actions, of necessity, obtain priority treatment and are the ones to which we give our major attention. We attempt to negotiate and determine these waiver requests during the negotiation of other contract matters so as not to delay the contracting effort. The other advance waiver requests, however, have been delayed as much as 10 to 18 months before formal DOE action has been taken. I believe we are improving, however, and our backlog has recently been substantially reduced.

Waiver requests for identified inventions made under a contract also are relegated to a lower level of priority because they do not delay the R,D&D contracting effort. As a result, actions on these waivers have frequently taken between 10 and 20 months, although more recently the average pendency has been reduced to about 12 months. Our present backlog of identified waivers is 123. Although not all delays are caused by DOE, there is concern that in at least some cases the delays may well affect the commercialization efforts on the inventions involved. At present, the delays caused by DOE are simply due to the lack of sufficient personnel to promptly and properly process them.

In the development and implementation of any approach to the Government patent policy issue, trade-offs are necessary. Uniformity or consistency of application of a single policy to all contracting situations provides for ease of administering any policy, but eliminates the flexibility to react differently to different situations. If flexibility is introduced to a policy, the administrative burden that accompanies decision making

also increases work load and introduces delays. Where the contractor is allowed to retain rights to resulting inventions, the responsibility, expense, and burden to achieve commercial utilization falls on the contractor. Where the Government obtains title to inventions, it accepts these responsibilities. For example, the experience under the DOE legislative patent policies indicate that they are sufficiently flexible to address the various R,D&D mission responsibilities of DOE, but that the policies are not without problems.

The administration of any policy where the Government acquires title, subject to a waiver, involves substantial burdens for both the Government agency and prospective contractors with respect to petitioning, negotiating, and determining waiver requests. This, in turn, can create delays in the R,D&D contracting process and may cause delays in the commercialization process because ownership of the patent rights is frequently an important issue in both areas.

Additionally, a patent policy that provides for Government ownership of inventions places the burden upon the Government to see that the resulting technology is utilized. As a Government employee responsible for carrying out such policies, this is of particular concern to me and should be more of a concern to Congress. The responsibility to review the inventions created under Government sponsorship, to assess the importance, operability, feasibility, and commercial potential of these inventions, to obtain protection of the inventions both domestically and in relevant foreign countries, to advertise their availability, to

negotiate appropriate agreements for their licensing, to promote their utilization, and to enforce the patents obtained on them against unlicensed infringers, imposes a tremendous and burdensome work load which should not be left to the Government unless there is also provided sufficient funding and staffing to carry out these responsibilities. Otherwise, consideration should be given to allowing industry to assume this primary responsibility, with the Government taking a monitoring or overseeing role. This has been one of the major issues that has eluded our Executive Branch-Congressional consensus.

Additionally, consideration must be given to the question of whether industry will or will not participate fully in Government R,D&D programs under a Government title policy. There is a frequently stated position that there are always companies and corporations standing in line waiting for Government R,D&D contracting monies. This, of course, is true. It does not address the issue, however, of whether those corporations, or segments of corporations, with the most advanced expertise in the field of technology of interest to the Government agency, will accept R,D&D contracts under such a policy in areas where the contractor has an advanced, highly proprietary, commercial position as presently exists in many industries, as in the electronics and fossil fuels industries.

In view of the DOE mission to assist in the development of commercial energy alternatives, we are working in areas that have the highest commercial sensitivities. We know that there are corporations, or divisions of corporations, which will not work with us, or will not even

approach this Department in a contracting situation because of our patent and technical data policies. Companies are concerned that if they deal with the Government under a title in the Government policy, their privately developed technology, proprietary data, trade secrets and know-how will be compromised.

Notwithstanding these problems of administrative burdens and delays associated with DOE legislative and regulatory patent policies, we believe that the policies are sufficiently flexible to enable DOE to accomplish its mission. Conceivably, this same type of policy might be applied with similar results to agencies having equal or smaller R,D&D programs, to programs limited to more basic type research efforts, or to programs concerning the development of technology specifically intended to solve critical public problems as in the case of DOE. The application of such a policy, however, on a Government-wide basis, would, in my opinion, be burdensome to the point of becoming a substantial barrier to the Government R,D&D mission. The most recent data available indicates that over 40,000 contract and grant actions involving R,D&D are awarded by the Federal Government each year, and that under these, approximately 6,000 invention disclosures are reported on an annual basis. The application of a title in the Government with waiver policy to this volume of contracting and inventing activity would not be possible in any realistic sense.

In any debate on this policy issue, one always hears charges of windfall profits going to Government contractors, concerns expressed regarding Government give-a-ways, suggestions that valuable technology

is either being suppressed by industry or utilized in an anti-competitive sense, and believes that making inventions available to all through Government ownership will achieve widespread commercial use. Government supported studies, however, have found no basis in fact for these charges, concerns, and beliefs. Approximately 10 years ago, the Federal Council for Science and Technology supported the most comprehensive study ever conducted on the issue of Government patent policy -- commonly referred to as the Harbridge House Report. This report made the following findings:

- Government ownership with an offer of free public use does not alone result in commercialization of research results;
- the commercial utilization rate of Government-generated inventions was low (approximately 12 percent), but that the rate doubled when contractors with commercial background positions were allowed to keep exclusive commercial rights to the inventions;
- windfall profits do not result from contractors retaining title to such inventions; and
- little, if any, anti-competitive effect resulted from contractor ownership of inventions because contractors normally licensed such technology, and where they did not, alternative technologies were available.

In our effort to complete the report to Congress on the issue of mandatory or compulsory licensing, DOE recently funded an additional study with Harbridge House which is presently under analysis. This study shows that there are few, if any, adverse effects resulting from enforcement of exclusive patent rights, and, in fact, indicates some stimulation of research occurs when exclusive rights are enforced. Accordingly, this data seems to reinforce the original study which found no anti-competition effects when exclusive rights were left with the contractors.

One final comment in regard to the concept of "march-in" rights -- there has been considerable discussion that in the 10 years or more that such rights have been acquired by the Government, they have not been utilized. The conclusion is frequently drawn, therefore, that such rights are ineffective. I believe that this is an erroneous conclusion. The "march-in" rights were developed to address issues of windfall, suppression, and the detrimental effects of exclusive patent rights to competition. In my view, it is because these problems have been primarily theoretical, and not actual, that the "march-in" rights have not been utilized. The primary benefit to the concept of "march-in" rights is that the administrative burden to everyone can be limited to those cases, and only those cases, where an invention is commercially important to two or more parties who cannot settle their differences.

As I stated previously, the Administration has not yet taken the position on the three major legislative patent policy proposals. I believe that I can state, however, the effect that these proposals would have on the patent policies and R&D activities of DOE.

It is believed that S. 414, which is limited to small businesses and nonprofit organizations, would have very minor impact on current DOE patent policies and procedures. In its waiver process, DOE presently gives preferred treatment to these organizations and for the most part waivers are granted either at the time of contracting or at the time an invention is reported. There are exceptions, and these exceptions appear to be provided for in S. 414. The primary difference is that

under DOE's policies, the university is not given preferred treatment unless it has a patent policy and technology transfer program that has been reviewed and approved by DOE, and preferred treatment is not given to nonprofit organizations other than universities.

Both H.R. 8596 and S. 1215 would change DOE's patent policy from one of normal "title taking" with waiver, to one of normally acquiring for the Government a free license and "march-in" rights with exceptions being possible in appropriate circumstances to acquire title. One primary effect this would have on DOE is the elimination of substantial administrative workload burdens that presently delay waiver decisions. Also, it would presumably eliminate many problems of contractor participation. It should be stated, however, that there will be negotiation delays and contractor participation problems under any policy that includes "march-in" rights, background patent rights, and questions of ownership and rights to technical data. Such a change would also place the initial burden of commercialization of contract results with industry, instead of placing that burden on the Government. Finally, I believe that our experience and studies have shown that there would be no substantial detrimental effect on competition under any of the proposed policies.

In the invitation extended by the Subcommittee, six policy issues were included with a request that views be expressed on them. I believe that I have addressed many, but not all, of those issues. Addressing them all would have extended my prepared testimony well beyond the time permitted. I have, however, given my personal comments regarding these

issues in Attachment 3. Also, I have not attempted to comment on the various details of the three proposed legislative policies found in H.R. 8596, S.1215 and S.414, but have limited my remarks to studies of and experiences gained under various policy approaches. I would be happy to work with the Subcommittee or its staff in developing or analysing various patent policies from an operational point of view, particularly regarding its impact on the missions and responsibilities of the various Federal agencies. Working out such details was not intended to be within the scope of this presentation.

In summary, and in view of this total experience, it is my opinion that any patent policy, whether enacted by Congress or adopted by the Executive Branch, should concentrate on the following three problems:

- achieving commercial utilization of the results of Government-sponsored research;
- insuring that the Government can work cooperatively with those segments of industry having the most advanced technology; and
- reducing the administrative work load to the extent consistent with the overall public interest.

If I can answer any questions, I will be happy to do so.

DOE STATUTORY PATENT POLICY

SUMMARY

DOE patent policy is controlled by two statutes: the Atomic Energy Act of 1954, as amended, P.L. 83-703, 68 Stat. 919, 42 U.S.C. 2011 et seq., and the Federal Nonnuclear Energy Research and Development Act of 1974, (hereinafter Nonnuclear Energy Act) P.L. 93-577, 88 Stat. 1878, 42 U.S.C. 5901 et seq.

These two statutes generally require DOE to take title to inventions conceived or made under DOE contracts, grants, agreements, understandings or other arrangements which involve research, development or demonstration work. However, both these statutes provide the Secretary of Energy (hereinafter Secretary) with discretionary authority to waive all or any part of Government rights to such inventions. For example, Section 152 of the Atomic Energy Act, 42 U.S.C. 2182, sets forth DOE policy in the field of nuclear energy by providing:

Any invention or discovery, useful in the production or utilization of special nuclear material or atomic energy, made or conceived in the course of or under any contract, subcontract, or arrangement entered into with or for the benefit of...[DOE] regardless of whether the contract, subcontract, or arrangement involved the expenditure of funds by...[DOE], shall be vested in, and be the property of,...[DOE], except that...[DOE] may waive its claim to any such invention or discovery under such circumstances as... [DOE] may deem appropriate, consistent with the policy of this section.

This policy is similar to, but less detailed than, that found in the Nonnuclear Energy Act in that it provides broad discretionary powers in the Secretary to waive Government rights to such inventions.

Subsection 9(a) of the Nonnuclear Energy Act, 42 U.S.C. Sec. 5908, sets forth DOE policy in the nonnuclear field by providing:

Whenever any invention is made or conceived in the course of or under any...[DOE] contract...other than nuclear energy research, development, and demonstration pursuant to the Atomic Energy Act of 1954...title to such invention shall vest in the United States...unless in particular circumstances the...[Secretary] waives all or any part of the rights of the United States to such invention in conformity with the provisions of this section.

Section 9(c) states that the Secretary may waive all or any part of the rights to any invention or class of inventions made or to be made under any contract with DOE if it is determined that the interests of the United States and the general public will best be served by such waiver. In making waiver determinations, the following objectives must be considered:

- making the benefits of the energy research, development and demonstration program widely available to the public in the shortest practicable time;
- promoting the commercial utilization of such inventions;
- encouraging participation by private persons in the DOE's energy research, development, and demonstration program; and
- fostering competition and preventing undue market concentration or the creation or maintenance of other situations inconsistent with the antitrust laws.

The Conference Committee on the Nonnuclear Energy Act, H.R. Rep. No. 93-1563, 93d Cong., 2d Sess., at page 27, recognized that in any single waiver situation, all four of these objectives might not be obtainable, i.e., in some situations participation might be more important than fostering competition, while in others the reverse might be true. Congress did expect, however, that over the long run all four of these objectives must be attained.

Sections 9(d) and 9(j) set forth twelve specific factors which the Secretary should consider in making waiver determinations at the time of contracting. These factors were obtained from experience under the AEC and NASA legislation and from other Federal agencies under the Presidential Patent Policy Statement. They concern considerations of:

- the willingness of a contractor to participate;
- the contractor's background and commercial position;
- the contribution that contractor has made or will make to commercialization of contract results;
- the contribution that the Government has made or will make to commercialization of the contract results;
- the effect of the waiver on public health, safety and welfare, and its effect on competition; and
- the extent to which universities have a technology transfer capability and the small business status of the contractor.

Section 9(e) sets forth similar waiver considerations that must be taken into account in waiving individual inventions identified under DOE contracts. Accordingly, with both Sections 9(d) and (e), DOE has the authority to make both advance and identified waivers.

Section 9(h) of the Nonnuclear Energy Act provides for the minimum rights DOE must retain under each waiver which cannot be waived. These include a free Government license plus the following so-called "march-in" rights:

- the right to require the contractor to license others at reasonable royalties if the invention is required for use by Government regulations, or is necessary to fulfill health, safety, or energy needs;
- the right to terminate the waiver in whole or in part if the contractor is not taking effective steps necessary to commercialize the invention, or will not take such steps within a reasonable time; and
- the right to require licensing at reasonable royalties, or to terminate the waiver in whole or in part if it is shown at a public hearing held four years after the grant of a waiver that -
  - the waiver has tended to violate the antitrust laws, or
  - the contractor has not taken, and is not expected to take, effective steps to commercialize the invention.

ADDITIONAL COMMENTS OF  
JAMES E. DENNY  
ON ISSUES SET FORTH IN THE INVITATION TO TESTIFY  
BEFORE THE  
SCIENCE, RESEARCH, AND TECHNOLOGY SUBCOMMITTEE  
HOUSE COMMITTEE ON SCIENCE AND TECHNOLOGY  
OCTOBER 16, 1979

1. Whether patent reform provisions should apply to all government contractors or to a subset of them (i.e., should reforms be restricted to small businesses and universities?)

Any approach to patent policy will have advantages and disadvantages depending upon the selection of the critical issues that are to be addressed. For example, one policy approach is to have a strictly uniform patent policy that is applicable to all Government agencies, to all contracting situations, and to all types of contractors, without the concept of flexibility. Patent policies that deviate from this approach become more flexible, but also become more burdensome to administer. If uniformity is selected as a major policy criteria, then the type of Government contractor involved may not be considered a sufficient justification for distinguishing policy approaches.

Exceptions have frequently been made in legislative and regulatory patent policies for universities and small businesses because of the political acceptability of providing preferred treatment to this type of institution. To do so is not considered anti-competitive and assisting such organizations has long been a part of acceptable federal policy. If, however, the ultimate policy goal is to achieve widespread commercial utilization, and the granting of exclusive rights to contractors is deemed to assist in that objective, then no reason is seen to limit the policy approaches of the three legislative proposals to small businesses and nonprofit organizations.

2. Whether federal patent reforms should include government pay-back measures?

The issue of whether the Government should require a pay-back, or a recoupment of its R,D&D investments, is a policy issue of the highest magnitude on which I would prefer not to take a position. I would only comment, however, that if such a policy is adopted, it should be carefully drafted in order that its implementation not cost more money than it has the capability of collecting. In particular, such a policy should not be uniformly applicable to all contracting situations, to all contractors, and to all inventions. For example, distinctions may be appropriate for

small businesses, universities, and other non-profit institutions. The policy should only be applied to situations where discrete packages of technology can be identified to which the Government's contribution versus that of private industry can be reasonably apportioned, and where the method of collecting royalties or revenues can be negotiated in a businesslike manner.

3. What march-in rights provisions would be most effective in preventing or remedying potential abuse of the reforms?

In my opinion, the Government should exercise "march-in" rights or require the contractor to license others, only where it is necessary to do so in the public interest, where the contractor is not adequately commercializing the invention itself, or where the contractor is misusing the invention to the detriment of competitive market forces. Where the contractor is adequately commercializing the invention, and is not abusing such right, the contractor should be left with the exclusive commercial rights. The "march-in" rights of DOE's statutory patent policy are adequate for this purpose.

4. How should background rights be treated?

The DOE policy is to require a contractor, if it has background patents that will dominate the results of the research effort, to license such background patents on reasonable terms and conditions. The requirement to license is usually limited to the specific field of technology that was supported by the DOE contract, and is also limited to situations where the contractor cannot supply market demands. DOE policy in this regard would appear to adequately take care of the public interest, and in any event, is subject to negotiation because it is a highly sensitive and emotional issue.

Because the issue of background rights is so sensitive, it is frequently an issue that will have a major impact on whether contractors will or will not accept a Government contract. As such, the necessity to acquire such rights for an agency's program must be a highly negotiable and flexible position. As a result, these decisions should be retained as a matter of negotiation policy as opposed to a legislative requirement that cannot be waived or modified. It is strongly recommended, therefore, that no background provisions be included in any legislative proposal on Government patent policy.

5. Should the reforms adopt the exclusive licensing or the title-in-the-inventor approach?

It is assumed that this question is addressing the issue of -- when the contractor (or inventor) is allowed to keep exclusive commercial rights, should the contractor or inventor be given title or an exclusive license?

The approach taken by all three legislative proposals is to allow the contractor to retain title unless or until a condition addressed by the "march-in" rights occurs -- that is, only in situations where the contractor is either misusing or not using invention rights.

One of the possible purposes of giving the contractor an exclusive license is to provide for the automatic termination of the exclusive rights independent of whether the contractor is appropriately using such rights. If so, it is suggested that the title-in-the-contractor approach used by the proposed legislation is preferable, and that the "march-in" rights be the only manner in which the exclusive rights of the contractor are terminated. To do otherwise would limit the incentives to the contractor to commercialize the invention and would substantially increase the Government's administrative burden to follow up and terminate license agreements.

6. What rights should the individual inventor have (i.e. government or industry employee rights)?

The provisions found in Chapter 2 of Title III of H.R. 8596 are substantially identical to those that were drafted by a committee of agency patent counsels, are intended to codify the existing executive order and regulatory policies regarding rights of Government employees, and are not believed to be controversial. Accordingly, it is suggested that these provisions be adopted in any statutory patent policy.

The issue of rights to a contractor employee's invention as between the contractor and its employee should not be addressed in any legislation regarding Government patent policy. The issue of legislating the limitations or control of private industry over agreements they can or may make with their own employees in regard to invention rights is highly controversial, and extends well beyond the issues of R&D contracting by the Federal Government. It is believed that the issue is quite separate, and is equally or perhaps more controversial than, the issue of Government patent policy, and should be kept separate.