

*Statement as
presented by
Bremer*

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STATEMENT
ON
UNIVERSITY AND SMALL BUSINESS PATENT
PROCEDURES ACT, H. R. 2414
AND OTHER PROPOSED INNOVATION-AND
PATENT-RELATED LEGISLATION

BY
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BEFORE
THE SUBCOMMITTEE ON COURTS, CIVIL LIBERTIES
AND THE ADMINISTRATION OF JUSTICE
OF THE
COMMITTEE ON THE JUDICIARY

APRIL 17, 1980

UNIVERSITY AND SMALL BUSINESS PATENT
PROCEDURES ACT, H. R. 2414
AND OTHER PROPOSED INNOVATION-AND
PATENT-RELATED LEGISLATION

COMMENTS AND OBSERVATIONS

by

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April 17, 1980

The invitation and opportunity to participate in the hearings being conducted by the Subcommittee is much appreciated. My remarks are made on behalf of the University of Wisconsin, one of the foremost research universities in the world, the Wisconsin Alumni Research Foundation, of which I have been Patent Counsel since 1960, the Society of University Patent Administrators, the American Council on Education, and the Council on Government Relations of the National Association of College and

University Business Officers, *and the Association of American Universities an association of the presidents of 50 major research universities.*

The Wisconsin Alumni Research Foundation (WARF) is a nonprofit organization, incorporated in 1925, which functions as the patent administrative arm of the University of Wisconsin and is the designee of the University under the Institutional Patent Agreements between the University and the Department of Health, Education, and Welfare and the National Science Foundation. In each year WARF's total income is given, without restriction, to the University of Wisconsin for use in support of research.

The American Council on Education is ~~the nation's largest association of colleges and universities and~~ represents over 1600 colleges, universities and associations in higher education.

The Council on Government Relations of the National Association of College and University Business Officers is supported by 119 leading universities which, as a group, are the recipients of over 90% of the funds made available to higher education through contracts and grants for scientific activities.

The Society of University Patent Administrators is a professional society of individuals all of whom have some responsibility for administering inventions and patents at or in connection with some university. It currently has approximately 120 members connected with over 90 universities and as one of its major intended purposes, is concerned with the education of its individual members to the techniques for accomplishing the transfer of the results of basic research conducted at the universities to the marketplace, primarily through utilization of the patent system.

Fundamental to the position of the university community with regard to the disposition of property rights resulting from research and development activities sponsored and funded in whole or in part by the Federal Government are certain strong beliefs which have been amply reinforced by the experience of many years.

Paramount among such beliefs is that the basic consideration in the disposition of intellectual property rights generated through the expenditure

of Government funds should not be whether the Government or the contractor should take title to such property ~~when it is generated in whole or in part with Government funding~~ but, in whose hands will the vestiture of primary rights to invention serve to transfer the inventive technology most quickly to the public for its use and benefit.

~~In addition~~ The university community considers :

1. that the absence of a uniform government patent policy has been a serious disincentive to successful technology transfer from the university to the public and has, in fact, often deprived the public of the fruits of basic research;
2. that the absence of a uniform government patent policy which reflects and supports our system of free enterprise has helped to put the United States at peril in the world economic scene;
3. that science has over the years been made increasingly subservient to politics, with decisions being made not on scientific facts but on political opportunity;
4. that the talent of invention must be given the maximum encouragement by providing the inventor and the process of technology transfer all necessary stimuli to inventive and innovation activity in a free enterprise environment;
5. that the less restrictive a government patent policy is, the greater is the transfer of technology under the policy;

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more to be paid

6. that a uniform government patent policy under which the contractor has the first option to acquire title to inventions made in whole or in part with Government funds will provide the maximum stimulus to invention and innovation and will be in the public interest;
7. that the patent system, imperfect through it may be, is the key to the conversion of scientific knowledge into production benefitting human welfare; and
8. that, as stated by Chief Judge Markey of the CCPA, no institution has done so much for so many with so little public and judicial understanding as has the American patent system.

At the basis of ~~what the university community believes should be the~~

~~this~~ paramount consideration ~~in framing a Government patent policy which will promote invention and innovation,~~ is the presumption that Government research dollars are made available in the expectation of not only developing basic knowledge, but also in the expectation that the funded research will lead to products, processes and techniques which will be useful and acceptable in all or part of our society to improve the well-being of the society in general.

In the face of this presumption it is apparent that inventions, whether made through the expenditure of private or governmental funds, are of little value to society unless and until they are utilized by society. In order to achieve such utilization it is essential that the invention be placed in a form or condition which will be acceptable and beneficial to the public. In other words, the technology must somehow be transferred to the public sector.

In a free enterprise system such transfer is normally accomplished as the result of pertinent and appropriate activities of private enterprise. Since such activities obviously entail the commitment and expenditure of substantial monies -- an expenditure which has been estimated to be 10 times or more of the amount needed to make the invention -- adequate and appropriate incentives to such commitment and expenditures must be afforded. Consequently, and since the patent system provides such incentives and is the most viable vehicle for accomplishing the transfer of technology, full and careful consideration must be given to the making of any patent policy which will affect the transfer of technology that has been generated in whole or in part by Government-funded research.

For many years the university sector has sought a uniform Government patent policy. There was general agreement ^{both} within and without the Government that the primary objects of such a policy should be to:

1. promote further private development and utilization of inventions made with Government funds;
2. ensure that the Government's interest in practicing inventions for Governmental purposes resulting from its support is protected;
3. ensure that patent rights in such inventions are not used for unfair, anticompetitive or suppressive purposes;

4. minimize the cost of administering patent policies through uniform principles; and
5. attract the best qualified contractors.

However, by way of emphasis, and if it is really intended that the public should truly benefit from the expenditure of Government research dollars, the paramount question is:

In whose hands will the vestiture of primary rights to inventions serve to transfer the inventive technology most quickly to the public for its use and benefit?

One can truthfully say that up to the present Government patent policy has, at best, been non-uniform and, at worst, has been a non-policy with the result that some 20 or more policies have developed, generally on an Agency-by-Agency basis and not even with uniform application of a given Agency policy within an Agency. At the one extreme, some Agencies advocated the "title" policy. At the other extreme was those Agencies advocating the "license" policy. There were also many and varied policies between those two extremes.

Governmental agencies operating under the "title" policy insisted on acquiring title to all contract-generated inventions and patents on them, including inventions which were only incidental to the major purpose of the contract, and then dedicated them to the public through publication, or by offering a license on a nonexclusive, royalty-free basis under any patents obtained to all who requested it. The argument was that all these inventions,

including the incidental inventions, should be acquired because they had been "paid for" by the Government and should therefore be owned by the Government.¹

Agencies which adopted the "license policy" permitted the contractor to take and keep title to inventions and patents arising under the contract, while reserving a royalty-free license in the Government to practice the invention for Governmental purposes. The theory which these Agencies applied was that inventions and patents are only incidental to the specific research or product contracted for and that equity demands nothing more than a royalty-free right for the Government to use the inventions.

Since within the universities, more often than not, an investigation is carried out with funds acquired under grants or contracts with more than one Government Agency, and perhaps also with co-mingled funds derived from other sources, the uncertainties as to the applicable patent policy militated strongly against the successful transfer of the technology developed. Most unfortunately, the most restrictive policy was applied, and generally with little regard for funding ^{equities} parties. The inevitable result was an adverse effect on possible transfer of the technology to the public. It

¹See, Public Citizen V. Sampson, 379F Supp. 662 (D. D. C. 1924) aff'd, 515 F. 2d 1018 (D. C. Cir. 1975); Press release by Senator Gaylord Nelson (Wis.) of the Senate Monopoly Subcommittee of the Senate Small Business Committee on Dec. 9, 1977 re the Government giving rights to inventions to contractors; Also, hearings held by Senator Nelson on GSA proposed changes in the FPR issued March 18, 1978; Hearings before the Subcommittee on Monopoly and anticompetitive Activities of the Select Committee on Small Business United States Senate, 95th Congress, 2nd Session on Government Patent Policies, May 22, 23, June 20, 21 and 26, 1978.

has been the experience of years within the universities that the more "title" oriented an Agency is toward inventions and patents generated under its funding the less the likelihood exists that the technology will be successfully transferred for the public benefit.

An interesting comparison along these lines was made by Harbridge House in its 1968 study² of Government-funded patents put into use in 1957 and 1962. It was found that contractor-held inventions were 10.7 times *more* as likely ^{than} as Government-held inventions to be utilized in products or processes employed in the private sector for the benefit of the public. Moreover, based upon experience, particularly under the Institutional Patent Agreements as between universities and nonprofit organizations on the one hand and the Department of Health, Education, and Welfare and the National Science Foundation on the other hand, there is no reason to suspect that a different conclusion would be reached today.

It seems axiomatic that since the patent system was created as an incentive to invent, develop and exploit new technology - to promote science and useful arts for the public benefit - when the Government holds the patent under the aegis that the inventions of the patent should be freely available to all, much the same as if the disclosure of the invention had been merely published, the patent system cannot operate in the manner in which it was intended. The incentives inherent in the right to exclude conferred upon the private owner of a patent, and which are the inducement to development

²Harbridge House Inc., Government Patent Policy Study for the FCST Committee on Government Patent Policy, May 15, 1968.

efforts, are simply not available.

The experience with licensing of Government owned patents, with the Government in the main espousing a nonexclusive licensing policy, has irrefutably been one of non-use.³ In the language of the original opinion of the Court in the famous case of United States v. Dubilier Condenser Corporation, when title to patents is vested in the Government they are lodged "in a dead hand incapable of turning the patent to account for the benefit of the public."

It should be obvious that without the introduction of new products into the economy, economic growth and job expansion would come to an eventual halt. While people can disagree whether particular technological innovations are good or bad, we doubt that anyone would seriously argue that a slow-down in technological innovation would not result in slower economic growth. Given the large fraction of research and development performed in this country that is Government-supported, it is inescapable that a Government patent policy that discourages investment in the development of the inventions made during that research would have a negative effect on economic growth.

A good example of the disincentive to the transfer of technology which occurs under a restrictive Government patent policy and the salutary

³See Resume' of U.S. Technology Policies - Dr. Betsy Ancker-Johnson-Les Nouvelles (Journal of the Licensing Executives Society) Dec. 1976, Vol. XI No. 4, p. 186; Statement before the National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, Dec. 11, 1976. (This latter document also contrasts the experience of universities in licensing patents owned by them some or most of which may have resulted from research supported in whole or part by Federal monies).

effects which are engendered when such restrictive policy is substantially relaxed can be found in an experience at the University of Wisconsin.

In the early 1960's when I first became involved with the questions raised by Government funding of research at universities, the Department of Health, Education, and Welfare was functioning basically with a title with waiver policy, even though a number of Institutional Patent Agreements were outstanding. In that period circumstances were encountered where requests for determinations of waiver in the face of potential statutory bars against patenting would go unanswered until after the statutory bar had become effective. Then too, on the very few occasions where a waiver was granted it was so fraught with restrictive provisions that it presented an unworkable basis for transferring technology. No commercial firm would accept the conditions which were imposed by the waiver.

The effect of such circumstances was to completely discourage the inventor from seeking to commercialize his inventions and, in fact, of even recognizing the presence of invention - the burdens attached because of the posture and attitudes of that Department toward the transfer of technology were simply too overwhelming.

Ultimately, on December 1, 1968, after a long period of negotiation, and ^{offer} criticism of the Department of Health, Education, and Welfare (DHEW) policy by the General Accounting Office, an Institutional Patent Agreement (IPA) was entered into by the University of Wisconsin and the Department of Health, Education, and Welfare which gave the University the first option to

ownership of inventions made with that Department's funds. The Wisconsin Alumni Research Foundation was named as designee of the University under that Agreement.

The results, although not immediate, were astounding!

Whereas, prior to the effective date of the IPA, December 1, 1968, no inventions made at the University of Wisconsin with Department of Health, Education, and Welfare funds had been licensed to industry (one invention not falling under the IPA was licensed after that date), since that date, WARF has received a total of 76 invention disclosures under the IPA, has filed 96^{patent} applications on 57 of those disclosures and has had 55 United States patents issue.

A total of 20 licenses were issued under one or more of these patents and patent applications, 18 of which are still extant, and under which four new products have been marketed with the strong promise of yet other products to be introduced after significant development work by licensees has been completed. Three of the products now in the market show significant promise for alleviating human suffering.

On a broader base, since 1969, when DHEW began using a less restrictive patent policy, until the fall of 1974, DHEW estimated that the rights to 329 inventions made in the performance of DHEW funded research were being managed by institutions. During that period these organizations had negotiated 44 nonexclusive and 78 exclusive licenses under patent applications or patents on the 329 inventions. By the end of fiscal 1976

*and is undoubtedly
much larger today.*

the number of inventions held by such organizations had increased to 517.
DHEW estimated that the risk capital generated under the licenses on various
of these 517 inventions was approximately \$150,000,000.⁴

This experience strongly supports the general proposition that the less restrictive the patent policy the greater is the transfer of technology. And it is significant in this regard that the major thrust of the Institutional Patent Agreements and of H. R. 2414 is the same, namely, that the contractor has first option to title to any invention made under the contract. In both situations the Government and the public is adequately protected through appropriate "march-in" provisions.

Moreover, we believe these data clearly establish that the universities have been highly successful in transferring technology left with them through licensing under patents whereas attempts to license Government-owned inventions have been singularly unsuccessful (see footnotes 2 and 3 supra).

In addition, and of direct importance to the economic well-being of the United States, is that where the first option to title to inventions has been left with the contractors numbers of foreign patents have been pursued and obtained. This, of course, provides the basis for a return, in the form of royalties ^{or other payments} from the transfer of the technology represented by those patents to foreign companies and countries, with the promise of alleviating our

⁴Science Policy Implications of DNA Recombinant Molecule Research. Hearings before the Subcommittee on Science, Research and Technology of the Committee on Science and Technology, U. S. House of Representatives, 95th Cong. 1st Sess. (No. 24) p. 965.

balance of payments deficit.

In contrast, under a policy where the Government takes title to the invention, there has been, at best, a very limited effort to obtain foreign patent protection with the result that much of the technology generated under Federal funding has been available without charge or restriction to foreign companies and countries. The incursions into the United States' market by such companies who have very successfully utilized such technology are well known, as is the resulting balance of trade deficit.

We firmly believe that the first-option-in-the-contractor policy of H. R. 2414 will promote the transfer of technology ~~for the following reasons:~~

1. It reduces the uncertainties as to the status of invention rights and thereby permits:
 - (a) the prompt filing of appropriate patent applications by the contractor-grantee;
 - (b) an early effort by experienced technology transfer groups and patent management organizations to locate and engage private enterprise in further development of inventions;
 - (c) an early decision by the industrial developer that the intellectual property rights in the innovation being offered are sufficient to protect its risk investment.
2. It is a recognition by the agency that the nature of the research being supported through funding under a grant or contract is

fundamental or basic and that inventions and the making of them are by-products of and not a specific object of the grant or contract.

3. It is a recognition that any invention evolved will require further development to bring it to the marketplace-- development which should involve private enterprise since under our free enterprise system private parties and not the Government should engage in such activity.
4. It provides motivation for a contribution by a commercial organization, in cash or in kind, to Government-funded research projects--the certainty of the grantee (contractor) having the first option to any invention arising from such project providing the basis for this now recognized attitudinal change by industry.
5. It provides a climate which encourages the investigator-inventor's continuing participation in the transfer of his inventive technology to the public--a particularly important consideration where university-generated inventions are involved since such inventions tend to be embryonic in nature.
6. It more fairly recognizes the equities and contributions of all of the parties to the inventive technology.

7. It provides the opportunity for the university-contractor to generate income as consideration for the technological innovation being offered, which income is earmarked to support further research at the university--the public thus benefits a second time.
8. It permits timely consideration to be given to foreign patent protection and thereby enhances the possibility of generating payments from foreign sources for the transfer of the patented technology under license with an attendant favorable impact upon the balance of trade.

~~We also firmly believe that the policy set forth by H. R. 2414~~ ^{and} is wholly in the public interest. Such belief is based upon:

1. the past records of many universities as successful agents for the transfer of technology;
2. the willingness, as taught by experience, of the private business sector, irrespective of company size, to deal equitably and in good faith with universities in such technology transfer endeavor;
3. the good experience which has been enjoyed by the universities in the integrity of its technology transfer industrial "partner;"
4. the improving attitude of commercial organizations toward research at a university where a less restrictive patent policy

- controls as evidenced by increasing numbers of instances where companies have made contributions, in cash or in kind to Government-funded research projects where only the prospective rights to inventions, yet unmade, is involved-- the certainty that the universities will have first option to title to such invention apparently being the prime motivation;
5. the unwillingness, based upon experience, of the private business sector to become a licensee of the Government; and
 6. the singularly unsuccessful technology transfer record of the Government.

There has been much said recently about the state in which United States science is today and about the innovation process. There are, in fact, many disquieting proxy measurements which, in summation, give cause for real concern that in some areas at least we have lost and in other areas are losing our technological leadership. For example,

Since the 1960s total expenditures for research and development have declined by about 5% in constant dollars while expenditures for basic research are down more than 10%.

Industrial expenditures for basic research have declined more than 20%.

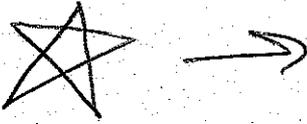
Based upon gross national product, R & D spending in the 10 years from 1965 to 1975 slipped from about 3% to about 2%. During that same period R & D spending in Germany, Japan and Russia increased.

Foreign inventors now receive about 37% of United States patents issued, up from about 17% in 1968.

We have a declining balance of trade which, in the manufactured goods area, has been built in part on United States technology which was exported.

We as a nation are spending less on research, using fewer people, and producing fewer inventions; and fewer of the inventions we do produce reach the marketplace, and it takes them longer to reach it.

In fact, today the United States responds to the definition of an underdeveloped nation which is one that exports raw materials to maintain its balance of payments, while it imports finished goods to maintain its standard of living. We are exporting our grain, cotton, timber, coal and other new materials to pay for TV sets, radios, tools, steel, clothing and a host of other finished products.



of Government funds should not be whether the Government or the contractor should take title to such property when it is generated in whole or in part with Government funding but, in whose hands will the vestiture of primary rights to invention serve to transfer the inventive technology most quickly to the public for its use and benefit.

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3. that science has over the years been made increasingly subservient to politics, with decisions being made not on scientific facts but on political opportunity;
4. that the talent of invention must be given the maximum encouragement by providing the inventor and the process of technology transfer all necessary stimuli to inventive and innovation activity in a free enterprise environment;
5. that the less restrictive a government patent policy is, the greater is the transfer of technology under the policy;

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Fundamental to the position of the university community with regard to the disposition of property rights resulting from research and development activities sponsored and funded in whole or in part by the Federal Government are certain strong beliefs which have been amply reinforced by the experience of many years.

Paramount among such beliefs is that the basic consideration in the disposition of intellectual property rights generated through the expenditure

6. that a uniform government patent policy under which the contractor has the first option to acquire title to inventions made in whole or in part with Government funds will provide the maximum stimulus to invention and innovation and will be in the public interest;
7. that the patent system, imperfect through it may be, is the key to the conversion of scientific knowledge into production benefitting human welfare; and
8. that, as stated by Chief Judge Markey of the CCPA, no institution has done so much for so many with so little public and judicial understanding as has the American patent system.

At the basis of what the university community believes should be the paramount consideration in framing a Government patent policy which will promote invention and innovation, is the presumption that Government research dollars are made available in the expectation of not only developing basic knowledge, but also in the expectation that the funded research will lead to products, processes and techniques which will be useful and acceptable in all or part of our society to improve the well-being of the society in general.

In the face of this presumption it is apparent that inventions, whether made through the expenditure of private or governmental funds, are of little value to society unless and until they are utilized by society. In order to achieve such utilization it is essential that the invention be placed in a form or condition which will be acceptable and beneficial to the public. In other words, the technology must somehow be transferred to the public sector.

In a free enterprise system such transfer is normally accomplished as the result of pertinent and appropriate activities of private enterprise. Since such activities obviously entail the commitment and expenditure of substantial monies -- an expenditure which has been estimated to be 10 times or more of the amount needed to make the invention -- adequate and appropriate incentives to such commitment and expenditures must be afforded. Consequently, and since the patent system provides such incentives and is the most viable vehicle for accomplishing the transfer of technology, full and careful consideration must be given to the making of any patent policy which will affect the transfer of technology that has been generated in whole or in part by Government-funded research.

For many years the university sector has sought a uniform Government patent policy. There was general agreement within and without the Government that the primary objects of such a policy should be to:

1. promote further private development and utilization of inventions made with Government funds;
2. ensure that the Government's interest in practicing inventions for Governmental purposes resulting from its support is protected;
3. ensure that patent rights in such inventions are not used for unfair, anticompetitive or suppressive purposes;

We are in dire need of H. R. 2414 as a strong beginning to dismantle the roadblocks to innovation - roadblocks built upon a lack of understanding of the innovation process, and the necessity for and functioning of the patent system in such process, political opportunism based upon outspoken but unsupported claims to the guardianship of the public interest or welfare, and the self-protective caution which attends a highly bureaucratic government.

In today's technologically intensive atmosphere some protection for the heavy investment required in development is more than ever necessary. The lead time given by exclusive knowledge or patents is shorter than ever before. We must realize that the innovative processes that bring revolutionary changes in society involve unpredictability, long gestation periods, huge sums of capital, genius and extraordinary perseverance on the part of free individuals and organizations.

★ → We ^{as a nation} cannot afford to continue to leave decisions on the disposition of invention rights to the discretion of Government agencies; nor can we afford to consider legislation which, as a practical matter, will do so.

H. R. 2414 serves to functionalize a policy, as represented by the Institutional Patent Agreement, which has proven its ability to motivate the transfer of technology. Moreover, it is believed abundantly clear that the provisions of H R 2414 are practically and politically acceptable as evidenced by the co-sponsorship of its companion bill in the Senate, S. 414, by some

54 Senators of widely varied political persuasion and by that Bill being reported out favorably by the Committee on the Judiciary of the Senate without a dissenting vote.

~~We look upon the Senate endorsement of S. 414 and, therefore, of the provisions of H. R. 2414, as recognition of the close link between technological progress and overall economic outlook; the recognition that the climate for innovation can and does affect the public personally; the recognition that it is more important to focus upon the benefit which would accrue to the public as a whole from technology transfer rather than upon the fear that some few would profit from such transfer; the recognition of the necessity for stimuli to inventive activity and innovation; the recognition that our patent system provides such stimuli through the incentives which it offers for the conversion of scientific knowledge into production benefiting human welfare; and the recognition that innovation has become the preferred currency of foreign affairs.~~

In the present international environment, ^{where} and being fully aware of the complexities attendant upon technology transfer and innovation, as well as the substantial lead-time necessary to these functions, we believe it is imperative that action be taken now to provide meaningful motivation for increased innovation.

It is our considered opinion that it is therefore both logical and politic for this Subcommittee and the Committee on the Judiciary to move

in the revised version as it
now appears in 2,414 and as a
part of H.R. 6533, introduced
by Congressman Raulsbeck,
and with a technical amendment

forcefully for the passage of H. R. 2414 to supply innovation incentives where they are most sorely needed. The enhanced transfer of vital technology and innovation which we are certain will be experienced under such legislation will then become a strong recommendation for the extension of the provisions of ~~H. R. 2414~~ to all other contractors with the Government.

to insure
the chain
within
its scope
of non profit
organization
like
Boswell
Institute,

With regard to
H. R. 6933 we have the following comments:

The university community, in espousing an enlightened uniform Government patent policy which will provide an incentive to the transfer of technology, philosophically believes that such policy should apply to all Government contracts. As a practical matter, however, the greater need for the patent incentive lies primarily with the universities, nonprofit organizations and small business. Technology transfer by universities and nonprofits depends entirely on the underlying patent position, and for small business the patent right is an important element in its ability to compete. Nor should such a policy differentiate as between research and development results which are intended for the Government's own use and those which are intended for civilian purposes. It must be presumed in both situations, as pointed out earlier, that the goal of research and development is to generate processes, products and techniques which will become available to and benefit society in general.

The provisions of Chapter 38 of H. R. 6933, the Government Patent Policy Act of 1980, as applied to the small business and nonprofit sectors,

the latter, of course, including the university community, reflect the greater need for the patent incentive which lies with those groups and, in fact, impose fewer limitations on the functioning of those groups than do the provisions of H. R. 2414.

The scope of H. R. 6933 is, however, considerably greater than that of H. R. 2414 and specifically provides for the administration of inventions arising under all Government contracts and from Government employees as well. The breadth of the proposed legislation and the provisions pertaining to the handling of inventions generated by other than the small business or nonprofit contract-grantee or the Government employee causes concern in the university community. Based upon the experience of years of effort in seeking executive and legislative understanding of the necessity for technology transfer incentives, and given the well-recognized reticence of the private sector to seek and enter into licensing arrangements ^{with the Government} under Government-owned patents, the universities had collectively come to the conclusion that legislation of the character of H. R. 6933 would be practically and politically unacceptable. The anticipated adverse reaction to such legislation was confirmed according to our understanding during the hearing on "The Government Patent Policy Act of 1980" before the combined Judiciary, Commerce and Government Affairs Committees of the Senate on January 25, 1980 and in the course of other hearings since.

As a consequence, we are apprehensive that one of the most valuable incentives to innovation, H. R. 2414, the provisions of which have been proven to be politically and practically acceptable through the ringing endorsement of its companion bill in the Senate, S. 414, will be buried in the rhetoric and delays which we firmly believe will attend H. R. 6933.

Thus, the opportunity to immediately address, with meaningful legislation, the decaying technological position of the United States will have been indefinitely postponed or perhaps lost. *We will again be too late with too little!* Given the present international situation, further delays in moving toward solution of the innovation problem can not conscionably be tolerated.

The university community *does however endorse in concept* ~~endorses~~ the provisions of H. R. 6933 relating to the reexamination of patents and equivocally endorses the Patent and Trademark Office fee structure provision of the Bill.

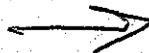
In this latter regard it should be self-evident that additional fees will create a hardship on the individual inventor. It may be less apparent that additional fees, and especially maintenance fees, can also create a hardship upon the small business and nonprofit groups. Thus, university generated inventions for the most part arise from basic research and very often are technologically considerably ahead of the commercial state of the art. As a consequence, many such inventions may not find commercial application for many years, if at all. In order to preserve the intellectual property right represented by a patent on the invention, the patent would have to be

maintained through the payment of fees, in the bare expectation that
commercial application of the invention may become a reality.

H. R. 3806

The university community endorses the primary thrust of Title III
of H. R. 3806 under which a Court of Appeals for the Federal Circuit is
to be established.

It is contemplated that the establishment of such court will serve
to provide greater uniformity in judicial review of complex patent litigation
and mitigate against the current practice of forum shopping when such
litigation is anticipated.



Mr. Chairman, this concludes my prepared statement but, with
your permission I would like to submit an additional document for inclusion
in the record. This is a paper entitled:

Public Patents - Public Benefit
Synonyms or Antonyms?

which was prepared for a meeting of the State Bar of Wisconsin and which
discusses the impact of Government patent policy on competition, innovation,
public health, economic growth and jobs, and foreign competition.

Again,
The opportunity to express these views is greatly appreciated. I
would be happy to respond to any questions which you or other members of
the Subcommittee may have.

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