Department Of Defense's Current Patent And Licensing Policies And Practices

B-161059

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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The Honorable Les Aspin
House of Representatives

Dear Mr. Aspin:

Your letter of March 19, 1974, requested information on Department of Defense (DOD) current patent and licensing policies and practices, the extent to which DOD's regulations are similar to those of the General Services Administration (GSA) that were declared void in a recent court decision, how DOD feels it is affected by the decision, and whether it intends to make any changes in those policies and practices.

DOD's allocation of rights to inventions resulting from research and development contracts and its licensing of patents to which it has acquired title is discussed below in relation to Government patent policies formally issued in 1963 and revised in 1971.

ALLOCATION OF RIGHTS IN INVENTIONS

The Armed Services Procurement Regulation (ASPR) permits the allocation of rights in inventions resulting from Government-sponsored research and development to either the Government or the contractor, depending on the circumstances. Such allocations of rights may consist of ownership of inventions as distinguished from licenses which are merely permits to make, use, or sell the inventions.

The Statement of Government Patent Policy dated October 10, 1963, (enc. 1) quoted in ASPR Section 9-107.3 provides for the Government to normally acquire or reserve the right to acquire the principal or exclusive rights in and to inventions made in the course of or under a contract where the:

--Principal purpose of the contract is to create, develop, or improve products, processes, or methods which are intended for commercial use (or which are otherwise intended to be made available for use) by the general public at home or abroad, or which will be required for such use by governmental regulations.

--Principal purpose of the contract is for exploring fields which directly concern the public health or public welfare.

--Contract is in a field of science or technology in which there has been little significant experience outside of work funded by the Government, or where the Government has been the principal developer of the field, and the acquisition of exclusive rights at the time of contracting might confer on the contractor a preferred or dominant position.

--Services of the contractor are

(1) for operating a Government-owned research or production facility or

(2) for coordinating and directing the work of others.

The patent policy and the ASPR also provide three situations where the contractor may acquire the principal or exclusive rights in inventions, subject to the Government's acquiring an irrevocable nonexclusive royalty-free license for governmental purposes. The contractor may acquire:

1. Greater rights than a nonexclusive license at the time of contracting where the Secretary certifies that such action will best serve the public interest or where the invention is not the primary object of the contract and the acquisition of such greater rights is consistent with the intent of the patent policy and a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application.

2. Principal or exclusive rights where the purpose of the contract is to build upon existing knowledge or technology to develop information, products, processes, or methods for use by the Government, and the work is in a field of technology in which the contractor has acquired technical competence (demonstrated by such factors as

know-how, experience and patent position) directly related to an area in which the contractor has an established nongovernmental commercial position.

3. Greater rights than a nonexclusive license in inventions at the time of contracting where the commercial interests of the contractors have not been sufficiently established. The final determination of rights is to be made by the contracting officer after the invention is identified, in a manner deemed most likely to serve the public interest taking into account the contractor's intentions to bring the invention to a point of commercial application.

Other provisions are where the principal or exclusive rights are retained by the contractor, he should agree:

--To provide written reports to the Government when requested on the commercial use being made or intended to be made of inventions made under Government contracts.

--That the Government has the right to require the granting of a license to an applicant on a nonexclusive royalty-free basis if he or his assignee has not taken effective steps within 3 years after patent issues on the invention to bring the invention to the point of practical application, has not made the invention available for license, or cannot show cause why he should retain the rights for a further period of time.

--The Government has the right to require the granting of a license to an applicant if the invention is required for public use by governmental regulations or necessary to fulfill health needs or other public purposes.

The Government patent policy was revised in 1971 (enc. 2) to give agency heads greater latitude to allocate to contractors additional rights to Government-sponsored inventions as are necessary to encourage commercial use of the inventions or where equitable circumstances would justify such allocation of rights. DOD has drafted new ASPR provisions to incorporate and implement the revised patent policy but has not made these changes final. (See p. 6.)

Three possible patent rights clauses are prescribed for inclusion in contracts for procurements involving experimental, development, or research work.

The contracting officer's determination of the patent rights clause used depends on the nature of the research to be done, the application and public need for the invention, the contractor's commercial expertise in the field of science or technology, and the extent of the contractor's prior experience.

The Patent Rights (Title) clause is used if the Government is to acquire the principal or exclusive rights. If the contracting officer determines that the Government should not acquire these rights, either the license or one of the deferred clauses (see below) is used.

When the title clause is used, the contractor agrees to grant the Government all right, title, and interest in and to each subject invention made under the contract, subject to its reservation of a nonexclusive and royalty-free license. The contractor may at the time of disclosing the subject invention request greater rights than a license if the invention is not the primary object of the contract and the acquisition of such greater rights is consistent with the intent of the patent policy and necessary "to call forth private risk capital and expense to bring the invention to the point of practical application."

The greater rights, if granted, are subject to (1) the Government's acquiring an irrevocable, nonexclusive, and royalty-free license for governmental purposes and (2) the Government's right to require a license to be granted an applicant on a nonexclusive, royalty-free basis if

--the contractor or its assignee has not taken effective steps within 3 years after the invention is patented to bring it to the point of practical application,

--the contractor has not made the invention available for licensing or is unable to show cause why title should be retained for a further period of time, or

--the invention is required for public use by governmental regulations, is necessary to fulfill health needs, or is for other public purposes.

The Patent Rights (licensing) clause provides for the contractor to retain title to the subject inventions and for the Government to acquire an irrevocable, nonexclusive, and royalty-free license for governmental purposes together with the right to require a license to be granted an applicant under the same circumstances.

The Patent Rights (deferred) clause is the same as the title clause except that the circumstances under which the Government may permit the contractor to acquire greater rights than a license are modified. The clause requires the contractor, when disclosing the subject invention, to supply information concerning its intention and plan to bring the invention to the point of commercial application. A decision is then made as to disposition of the invention.

Thus, by including patent rights clauses in research and development contracts, contracting officers can dispose of rights in Government-sponsored inventions before and after the inventions are developed and disclosed by the contractor.

GSA regulations on "Allocation of Rights in Inventions"

To implement the 1971 patent policy statement, GSA promulgated regulations for allocating or determining rights to inventions resulting from Government-sponsored research. These regulations permit Government agencies that are not otherwise subject to specific statutes to dispose of Government-sponsored inventions by either granting a contractor the principal or exclusive rights or greater rights than a license in the manner specified in the patent policy.

The regulations were published on September 4, 1973, in 38 Federal Register 23782, after the original draft of the regulations was made available to Government agencies, industry associations, and others for review in May 1972. The regulations were to become effective on March 4, 1974. However, because of

a court action filed February 15, 1974,[1] challenging the validity of the regulations, the GSA canceled the effective date until further notice.

The GSA regulations provide about the same criteria and guidance to civil agencies required to follow them that the ASPR provides to military departments for determining and allocating rights in inventions resulting from Government research and development contracts. The GSA provisions differ slightly from the ASPR inasmuch as they include the 1971 patent policy revisions.

We understand that the proposed revision coincides in many respects with the GSA regulations and that the ASPR revision will be withheld pending the outcome of the court action.

Military departments' statistics on patent practices show that for the 5-year period ending June 30, 1973, about 38,000 DOD research and development procurement actions containing patent rights clauses were issued. Of these clauses, 6 percent provide for the Government to acquire the principal or exclusive rights; 80 percent for contractors to acquire these rights; and 14 percent for the deferral of determinations until after the invention is reported and identified.

In the same 5-year period, DOD contractors disclosed about 15,000 inventions. Of this number, it is estimated that DOD acquired title to less than 4 percent of the disclosed inventions pursuant to contract title clauses. DOD also acquired title to about 62 percent of the disclosed inventions after contractors decided not to exercise their options to acquire. Contractors received or reserved licenses in inventions to which the Government acquired title. The Government also acquired nonexclusive, royalty-free licenses to about 34 percent of the inventions pursuant to contract clauses.

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[1]Public Citizen, et al. v. Sampson, Administrator, Civil Action No. 74-303, filed Feb. 15, 1974, in the U.S. District Court for the District of Columbia.

LICENSING REGULATIONS

DOD has no prescribed regulations or procedures governing the licensing of Government-owned patents. Formal licensing activity has been limited.

The 1963 Government Patent Policy provided for making available the scientific and technological advances covered by Government-owned patents in the shortest time possible through dedication or licensing. The ASPR recites this provision but does not prescribe procedures for the licensing of patents under DOD control. Each military department has regulations or instructions for licensing patents.

On November 24, 1969, the Assistant Secretary of Defense (Comptroller) issued a memorandum to the Assistant Secretaries of the military departments on promoting public use of DOD patents. The memorandum pointed out the need to generate an ongoing program directed toward publicizing DOD-owned patents, vitalizing licensing the patents to business and industrial users who could and would exploit them and for upgrading the overall management of DOD patent properties.

Notwithstanding this effort to promote the licensing and public use of DOD patents, the military departments have issued slightly more than 200 nonexclusive licenses since 1963. DOD has not issued any exclusive licenses. At the end of fiscal year 1973, DOD had more than 15,000 patents available for licensing.

The 1971 revision of the patent policy directed the GSA Administrator to promulgate and publish regulations for licensing Government-owned patents, either exclusive or nonexclusive, and for listing available patents for licensing in official publications or otherwise. GSA published such regulations on February 5, 1973. These regulations, effective May 7, 1973, provided guidelines and procedures to Government agencies for the nonexclusive and exclusive licensing of Government-owned U.S. patents and inventions for which the Government had filed U.S. patent applications.

DOD issued a directive on November 2, 1973, announcing its policy on licensing. The directive stated that the public

interest requires efforts to encourage the expeditious development and civilian use of inventions resulting from work funded by the Government. The 1971 policy provides for attaining this goal through nonexclusive or exclusive licensing of such inventions under regulations prescribed by the GSA Administrator. The directive provided for each military department and DOD agency having a portfolio of Government-owned inventions to implement licensing programs and procedures consistent with the intent of the policy and GSA licensing regulations, and to submit them for approval.

In an action filed in the United States District Court for the District of Columbia, Public Citizen, Inc., and 11 Representatives of the Congress challenged the legality of the GSA licensing regulations. On January 17, 1974, the court declared the regulations void, stating that the Constitution prohibits granting exclusive licenses on Government-owned patents and inventions without congressional authorization. The Congress has not authorized GSA to grant exclusive licenses. The Justice Department notified the court that an appeal to the decision would be filed.

As a result of the court decision, the Deputy Assistant Secretary of Defense (Procurement) on February 8, 1974, advised the military departments that, pending final disposition of this case and the issuance of further instructions, no exclusive licenses to Government-owned patents shall be issued nor need the licensing procedures required by the directive be submitted for approval.

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We trust you will find this information useful. Please advise if we can be of further help. We plan no further distribution of this letter unless you agree or publicly announce its contents.

Sincerely yours,

Comptroller General
of the United States

Enclosures - 2

APPENDIX A

PRESIDENTIAL MEMORANDUM AND STATEMENT OF GOVERNMENT PATENT POLICY ISSUED OCTOBER 10, 1963

(Published Federal Register, Vol. 28 No. 200, October 12, 1963)

Memorandum for the Heads of Executive Departments and Agencies

Over the years, through Executive and Legislative actions, a variety of practices has developed within the Executive Branch affecting the disposition of rights to inventions made under contracts with outside organizations. It is not feasible to have complete uniformity of practice throughout the Government in view of the differing missions and statutory responsibilities of the several departments and agencies engaged in research and development. Nevertheless, there is need for greater consistency in agency practices in order to further the governmental and public interests in promoting the utilization of Federally-financed inventions and to avoid difficulties caused by different approaches by the agencies when dealing with the same class of organizations in comparable patent situations.

From the extensive and fruitful national discussions of Government patent practices, significant common ground has come into view. First, a single presumption of ownership does not provide a satisfactory basis for Government-wide policy on the allocation of rights to inventions. Another common ground of understanding is that the Government has a responsibility to foster the fullest exploitation of the inventions for the public benefit.

Attached for your guidance is a statement of Government patent policy, which I have approved, identifying common objectives and criteria and setting forth the minimum rights that Government agencies should acquire with regard to inventions made under their grants and contracts. This statement of policy seeks to protect the public interest by encouraging the Government to acquire the principal rights to inventions in situations where the nature of the work to be undertaken or the Government's past investment in the field of work favors full public access to resulting inventions. On the other hand, the policy recognizes that the public interest might also be served by according exclusive commercial rights to the contractor in situations where the contractor has an established nongovernmental commercial position and where there is greater likelihood that the invention would be worked and put into civilian use than would be the case if the invention were made more freely available.

Wherever the contractor retains more than a nonexclusive license, the policy would guard against failure to practice the invention by requiring that the

contractor take effective steps within three years after the patent issues to bring the invention to the point of practical application or to make it available for licensing on reasonable terms. The Government would also have the right to insist on the granting of a license to others to the extent that the invention is required for public use by Governmental regulations or to fulfill a health need, irrespective of the purpose of the contract.

The attached statement of policy will be reviewed after a reasonable period of trial in the light of the facts and experience accumulated. Accordingly, there should be continuing efforts to monitor, record, and evaluate the practices of the agencies pursuant to the policy guidelines.

This memorandum and the statement of policy shall be published in the Federal Register.

JOHN F. KENNEDY

STATEMENT OF GOVERNMENT PATENT POLICY

Basic Considerations

A. The Government expends large sums for the conduct of research and development which results in a considerable number of inventions and discoveries.

B. The inventions in scientific and technological fields resulting from work performed under Government contracts constitute a valuable national resource.

C. The use and practice of these inventions and discoveries should stimulate inventors, meet the needs of the Government, recognize the equities of the contractor, and serve the public interest.

D. The public interest in a dynamic and efficient economy requires that efforts be made to encourage the expeditious development and civilian use of these inventions. Both the need for incentives to draw forth private initiatives to this end, and the need to promote healthy competition in industry must be weighed in the disposition of patent rights under Government contracts. Where exclusive rights are acquired by the contractor, he remains subject to the provisions of the antitrust laws.

E. The public interest is also served by sharing of benefits of Government-financed research and development with foreign countries to a degree consistent with our international programs and with the objectives of U.S. foreign policy.

F. There is growing importance attaching to the acquisition of foreign patent rights in furtherance of the interests of U.S. industry and the Government.

G. The prudent administration of Government research and development calls for a Government-wide policy on the disposition of inventions made under Government contracts reflecting common principles and objectives, to extent consistent with the missions of the respective agencies. The policy must recognize the need for flexibility to accommodate special situations.

Policy

SECTION 1. The following basic policy is established for all Government agencies with respect to inventions or discoveries made in the course of or

under any contract of any Government agency, subject to specific statutes governing the disposition of patent rights of certain Government agencies.

(a) Where

(1) a principal purpose of the contract is to create, develop or improve products, processes, or methods which are intended for commercial use (or which are otherwise intended to be made available for use) by the general public at home or abroad, or which will be required for such use by Governmental regulations; or

(2) a principal purpose of the contract is for exploration into fields which directly concern the public health or public welfare; or

(3) the contract is in a field of science or technology in which there has been little significant experience outside of work funded by the Government, or where the Government has been the principal developer of the field, and the acquisition of exclusive rights at the time of contracting might confer on the contractor a preferred or dominant position; or

(4) the services of the contractor are

(i) for the operation of a Government-owned research or production facility; or

(ii) for coordinating and directing the work of others,

the Government shall normally acquire or reserve the right to acquire the principal or exclusive rights throughout the world in and to any inventions made in the course of or under the contract. In exceptional circumstances the contractor may acquire greater rights than a nonexclusive license at the time of contracting, where the head of the department or agency certifies that such action will best serve the public interest. Greater rights may also be acquired by the contractor after the invention has been identified, where the invention when made in the course of or under the contract is not a primary object of the contract, provided the acquisition of such greater rights is consistent with the intent of this Section 1(a) and is a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application.

(b) In other situations, where the purpose of the contract is to build upon existing knowledge or technology, to develop information, products, processes, or methods for use by the Government, and the work called for by the contract is in a field of technology in which the contractor has acquired technical competence (demonstrated by factors such as know-how, experience, and patent position) directly related to an area in which the contractor has an established nongovernmental commercial position, the contractor shall normally acquire the principal or exclusive rights throughout the world in and to any resulting inventions, subject to the Government acquiring at least an irrevocable nonexclusive royalty-free license throughout the world for Governmental purposes.

(c) Where the commercial interests of the contractor are not sufficiently established to be covered by the criteria specified in Section 1(b), above, the determination of rights shall be made by the agency after the invention has been identified, in a manner deemed most likely to serve the public interest as expressed in this policy statement, taking particularly into account the intentions of the contractor to bring the invention to the point of commercial application and the guidelines of Section 1(a) hereof, provided that the agency

may prescribe by regulation special situations where the public interest in the availability of the inventions would best be served by permitting the contractor to acquire at the time of contracting greater rights than a nonexclusive license. In any case the Government shall acquire at least a nonexclusive royalty-free license throughout the world for Governmental purposes.

(d) In the situation specified in Sections 1(b) and 1(c), when two or more potential contractors are judged to have presented proposals of equivalent merit, willingness to grant the Government principal or exclusive rights in resulting inventions will be an additional factor in the evaluation of the proposals.

(e) Where the principal or exclusive (except as against the Government) rights in an invention remain in the contractor, he should agree to provide written reports at reasonable intervals, when requested by the Government, on the commercial use that is being made or is intended to be made of inventions made under government contracts.

(f) Where the principal or exclusive (except as against the Government) rights in an invention remain in the contractor, unless the contractor, his licensee, or his assignee has taken effective steps within three years after a patent issues on the invention to bring the invention to the point of practical application or has made the invention available for licensing royalty-free or on terms that are reasonable in the circumstances, or can show cause why he should retain the principal or exclusive rights for a further period of time, the Government shall have the right to require the granting of a license to an applicant on a nonexclusive royalty-free basis.

(g) Where the principal or exclusive (except the Government) rights to an invention are acquired by the contractor, the Government shall have the right to require the granting of a license to an applicant royalty-free or on terms that are reasonable in the circumstances to the extent that the invention is required for public use by Governmental regulations or as may be necessary to fulfill health needs, or for other public purposes stipulated in the contract.

(h) Where the Government may acquire the principal rights and does not elect to secure a patent in a foreign country, the contractor may file and retain the principal or exclusive foreign rights subject to retention by the Government of at least a royalty-free license for Governmental purposes and on behalf of any foreign government pursuant to any existing or future treaty or agreement with the United States.

SECTION 2. Government-owned patents shall be made available and the technological advances covered thereby brought into being in the shortest time possible through dedication or licensing and shall be listed in official Government publications or otherwise.

SECTION 3. The Federal Council for Science and Technology in consultation with the Department of Justice shall prepare at least annually a report concerning the effectiveness of this policy, including recommendations for revision or modification as necessary in light of the practices and determinations of the agencies in the disposition of patent rights under their contracts. A patent advisory panel is to be established under the Federal Council for Science and Technology to

(a) develop by mutual consultation and coordination with the agencies common guidelines for the implementation of this policy, consistent with

existing statutes, and to provide overall guidance as to disposition of inventions and patents in which the Government has any right or interest; and

(b) encourage the acquisition of data by Government agencies on the disposition of patent rights to inventions resulting from Federally-financed research and development and on the use and practice of such inventions, to serve as basis for policy review and development; and

(c) make recommendations for advancing the use and exploitation of Government-owned domestic and foreign patents.

SECTION 4. Definitions: As used in this policy statement, the stated terms in singular and plural are defined as follows for the purposes hereof:

(a) *Government agency*—includes any Executive department, independent commission, board, office, agency, administration, authority, or other Government establishment of the Executive Branch of the Government of the United States of America.

(b) *Invention* or *Invention or discovery*—includes any art, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the Patent Laws of the United States of America or any foreign country.

(c) *Contractor*—means any individual, partnership, public or private corporation, association, institution, or other entity which is a party to the contract.

(d) *Contract*—means any actual or proposed contract, agreement, grant, or other arrangement, or subcontract entered into with or for the benefit of the Government where a purpose of the contract is the conduct of experimental, developmental, or research work.

(e) *Made*—when used in relation to any invention or discovery means the conception or first actual reduction to practice of such invention in the course of or under the contract.

(f) *Governmental purpose*—means the right of the Government of the United States (including any agency thereof, state, or domestic municipal government) to practice and have practiced (make or have made, use or have used, sell or have sold) throughout the world by or on behalf of the Government of the United States.

(g) *To the point of practical application*—means to manufacture in the case of a composition or product, to practice in the case of a process, or to operate in the case of a machine and under such conditions as to establish that the invention is being worked and that its benefits are reasonably accessible to the public.

APPENDIX F

MEMORANDUM AND STATEMENT OF GOVERNMENT PATENT POLICY ISSUED BY PRESIDENT NIXON ON AUGUST 23, 1971

(Published Federal Register, Vol. 36, No. 166, August 26, 1971)

Memorandum for Heads of Executive Departments and Agencies

On October 10, 1963, President Kennedy forwarded to the Heads of the Executive Departments and Agencies a Memorandum and Statement of Government Patent Policy for their guidance in determining the disposition of rights to inventions made under Government-sponsored grants and contracts. On the basis of the knowledge and experience then available, this Statement first established Government-wide objectives and criteria, within existing legislative constraints, for the allocation of rights to inventions between the Government and its contractors.

It was recognized that actual experience under the Policy could indicate the need for revision or modification. Accordingly, a Patent Advisory Panel was established under the Federal Council for Science and Technology for the purpose of assisting the agencies in implementing the Policy, acquiring data on the agencies' operations under the Policy, and making recommendations regarding the utilization of Government-owned patents. In December 1965, the Federal Council established the Committee on Government Patent Policy to assess how this Policy was working in practice, and to acquire and analyze additional information that could contribute to the reaffirmation or modification of the Policy.

The efforts of both the Committee and Panel have provided increased knowledge of the effects of Government patent policy on the public interest. More specifically, the studies and experience over the past seven years have indicated that:

(a) A single presumption of ownership of patent rights to Government-sponsored inventions either in the Government or in its contractors is not a satisfactory basis for Government patent policy, and that a flexible, Government-wide policy best serves the public interest;

(b) The commercial utilization of Government-sponsored inventions, the participation of industry in Government research and development programs, and commercial competition can be influenced by the following factors: the mission of the contracting agency; the purpose and nature of the contract; the commercial applicability and market potential of the invention; the extent to which the invention is developed by the contracting agency; the promotional activities of the contracting agency; the commercial orientation of the con-

tractor and the extent of his privately financed research in the related technology; and the size, nature and research orientation of the pertinent industry;

(c) In general, the above factors are reflected in the basic principles of the 1963 Presidential Policy Statement.

Based on the results of the studies and experience gained under the 1963 Policy Statement certain improvements in the Policy have been recommended which would provide (1) agency heads with additional authority to permit contractors to obtain greater rights to inventions where necessary to achieve utilization or where equitable circumstances would justify such allocation of rights, (2) additional guidance to the agencies in promoting the utilization of Government-sponsored inventions, (3) clarification of the rights of States and municipal governments in inventions in which the Federal Government acquires a license, and (4) a more definitive data base for evaluating the administration and effectiveness of the Policy and the feasibility and desirability of further refinement or modification of the Policy.

I have approved the above recommendations and have attached a revised Statement of Government Patent Policy for your guidance. As with the 1963 Policy Statement, the Federal Council shall make a continuing effort to record, monitor and evaluate the effects of this Policy Statement. A Committee on Government Patent Policy, operating under the aegis of the Federal Council for Science and Technology, shall assist the Federal Council in these matters.

This memorandum and statement of policy shall be published in the Federal Register.

RICHARD M. NIXON

STATEMENT OF GOVERNMENT PATENT POLICY

Basic Considerations

A. The Government expends large sums for the conduct of research and development which results in a considerable number of inventions and discoveries.

B. The inventions in scientific and technological fields resulting from work performed under Government contracts constitute a valuable national resource.

C. The use and practice of these inventions and discoveries should stimulate inventors, meet the needs of the Government, recognize the equities of the contractor, and serve the public interest.

D. The public interest in a dynamic and efficient economy requires that efforts be made to encourage the expeditious development and civilian use of these inventions. Both the need for incentives to draw forth private initiatives to this end, and the need to promote healthy competition in industry must be weighed in the disposition of patent rights under Government contracts. Where exclusive rights are acquired by the contractor, he remains subject to the provisions of the antitrust laws.

E. The public interest is also served by sharing of benefits of Government-financed research and development with foreign countries to a degree consistent with our international programs and with the objectives of U.S. foreign policy.

F. There is growing importance attaching to the acquisition of foreign patent rights in furtherance of the interests of U.S. industry and the Government.

G. The prudent administration of Government research and development calls for a Government-wide policy on the disposition of inventions made under Government contracts reflecting common principles and objectives, to the extent consistent with the missions of the respective agencies. The policy must recognize the need for flexibility to accommodate special situations.

Policy

SECTION 1. The following basic policy is established for all Government agencies with respect to inventions or discoveries made in the course of or under any contract of any Government agency, subject to specific statutes governing the disposition of patent rights of certain Government agencies.

(a) Where

(1) a principal purpose of the contract is to create, develop or improve products, processes, or methods which are intended for commercial use (or which are otherwise intended to be made available for use) by the general public at home or abroad, or which will be required for such use by governmental regulations; or

(2) a principal purpose of the contract is for exploration into fields which directly concern the public health, public safety, or public welfare; or

(3) the contract is in a field of science or technology in which there has been little significant experience outside of work funded by the Government, or where the Government has been the principal developer of the field, and the acquisition of exclusive rights at the time of contracting might confer on the contractor a preferred or dominant position; or

(4) the services of the contractor are

(i) for the operation of a Government-owned research or production facility; or

(ii) for coordinating and directing the work of others,

the Government shall normally acquire or reserve the right to acquire the principal or exclusive rights throughout the world in and to any inventions made in the course of or under the contract.

In exceptional circumstances the contractor may acquire greater rights than a nonexclusive license at the time of contracting where the head of the department or agency certifies that such action will best serve the public interest. Greater rights may also be acquired by the contractor after the invention has been identified where the head of the department or agency determines that the acquisition of such greater rights is consistent with the intent of this Section 1(a) and is either a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application or that the Government's contribution to the invention is small compared to that of the contractor. Where an identified invention made in the course of or under the contract is not a primary object of the contract, greater rights may also be acquired by the contractor under the criteria of Section 1(c).

(b) In other situations, where the purpose of the contract is to build upon existing knowledge or technology, to develop information, products, processes,

or methods for use by the Government, and the work called for by the contract is in a field of technology in which the contractor has acquired technical competence (demonstrated by factors such as know-how, experience, and patent position) directly related to an area in which the contractor has an established nongovernmental commercial position, the contractor shall normally acquire the principal or exclusive rights throughout the world in and to any resulting inventions.

(c) Where the commercial interests of the contractor are not sufficiently established to be covered by the criteria specified in Section 1(b) above, the determination of rights shall be made by the agency after the invention has been identified, in a manner deemed most likely to serve the public interest as expressed in this policy statement, taking particularly into account the intentions of the contractor to bring the invention to the point of commercial application and the guidelines of Section 1(a) hereof, provided that the agency may prescribe by regulation special situations where the public interest in the availability of the inventions would best be served by permitting the contractor to acquire at the time of contracting greater rights than a nonexclusive license.

(d) In the situations specified in Sections 1(b) and 1(c), when two or more potential contractors are judged to have presented proposals of equivalent merit, willingness to grant the Government principal or exclusive rights in resulting inventions will be an additional factor in the evaluation of the proposals.

(e) Where the principal or exclusive rights in an invention remain in the contractor, he should agree to provide written reports at reasonable intervals, when requested by the Government, on the commercial use that is being made or is intended to be made of inventions made under Government contracts.

(f) Where the principal or exclusive rights in an invention remain in the contractor, unless the contractor, his licensee, or his assignee has taken effective steps within three years after a patent issues on the invention to bring the invention to the point of practical application or has made the invention available for licensing royalty-free or on terms that are reasonable in the circumstances, or can show cause why he should retain the principal or exclusive rights for a further period of time, the Government shall have the right to require the granting of a nonexclusive or exclusive license to a responsible applicant(s) on terms that are reasonable under the circumstances.

(g) Where the principal or exclusive rights to an invention are acquired by the contractor, the Government shall have the right to require the granting of a nonexclusive or exclusive license to a responsible applicant(s) on terms that are reasonable in the circumstances (i) to the extent that the invention is required for public use by governmental regulations, or (ii) as may be necessary to fulfill health or safety needs, or (iii) for other public purposes stipulated in the contract.

(h) Whenever the principal or exclusive rights in an invention remain in the contractor, the Government shall normally acquire, in addition to the rights set forth in Sections 1(e), 1(f), and 1(g),

(1) at least a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency) and States and domestic municipal governments, unless the agency head determines that it would not be in the public interest to acquire the license for the States and domestic municipal governments; and

(2) the right to sublicense any foreign government pursuant to any existing or future treaty or agreement if the agency head determines it would be in the national interest to acquire this right; and

(3) the principal or exclusive rights to the invention in any country in which the contractor does not elect to secure a patent.

(i) Whenever the principal or exclusive rights in an invention are acquired by the Government, there may be reserved to the contractor a revocable or irrevocable nonexclusive royalty-free license for the practice of the invention throughout the world; an agency may reserve the right to revoke such license so that it might grant an exclusive license when it determines that some degree of exclusivity may be necessary to encourage further development and commercialization of the invention. Where the Government has a right to acquire the principal or exclusive rights to an invention and does not elect to secure a patent in a foreign country, the Government may permit the contractor to acquire such rights in any foreign country in which he elects to secure a patent, subject to the Government's right set forth in Section 1(h).

SECTION 2. Under regulations prescribed by the Administrator of General Services, Government-owned patents shall be made available and the technological advances covered thereby brought into being in the shortest time possible through dedication or licensing, either exclusive or nonexclusive, and shall be listed in official Government publications or otherwise.

SECTION 3. The Federal Council for Science and Technology in consultation with the Department of Justice shall prepare at least annually a report concerning the effectiveness of this policy, including recommendations for revision or modification as necessary in light of the practices and determinations of the agencies in the disposition of patent rights under their contracts. The Federal Council for Science and Technology shall continue to

(a) develop by mutual consultation and coordination with the agencies common guidelines for implementation of this policy, consistent with existing statutes, and to provide overall guidance as to disposition of inventions and patents in which the Government has any right or interest; and

(b) acquire data from the Government agencies on the disposition of patent rights to inventions resulting from Federally-financed research and development and on the use and practice of such inventions to serve as bases for policy review and development; and

(c) make recommendations for advancing the use and exploitation of Government-owned domestic and foreign patents.

Each agency shall record the basis for its actions with respect to inventions and appropriate contracts under this statement.

SECTION 4. Definitions: As used in this policy statement, the stated terms in singular and plural are defined as follows for the purposes hereof:

(a) *Government agency*—includes any executive department, independent commission, board, office, agency, administration, authority, Government corporation, or other Government establishment of the executive branch of the Government of the United States of America.

(b) *States*—means the States of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam and the Trust Territory of the Pacific Islands.

(c) *Invention*, or *Invention or discovery*—includes any art, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the Patent Laws of the United States of America or any foreign country.

(d) *Contractor*—means any individual, partnership, public or private corporation, association, institution, or other entity which is a party to the contract.

(e) *Contract*—means any actual or proposed contract, agreement, grant, or other arrangement, or subcontract entered into with or for the benefit of the Government where a purpose of the contract is the conduct of experimental, development, or research work.

(f) *Made*—when used in relation to any invention or discovery means the conception or first actual reduction to practice of such invention in the course of or under the contract.

(g) *To the point of practical application*—means to manufacture in the case of a composition or product, to practice in the case of a process, or to operate in the case of a machine and under such conditions as to establish that the invention is being worked and that its benefits are reasonably accessible to the public.

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