CONFIDENTIAL

12/11/81
J. Denny

AREAS OF CONCERN WITH THE CURRENT DRAFT OF THE

OMB/OFPP CIRCULAR ON PATENT POLICY

JD

JEC

(New) (Old) 1. Application of the Circular outside the U.S. -- previous Bulletin applied policy only to funding agreements to be performed in the U.S. Proposed Committee modifications attempted to provide flexibility for applying the policy outside the U.S. This was the normal procurement approach that did not require distinctions based upon citzenship. The new Circular deleted this approach and applies the policy to all small businesses and to "domestic" nonprofit organizations. No definition is given for the phrase "domestic nonprofit organizations." This distinction will require us to discriminate based on some concept of national origin and may conflict with U.S. treaties on friendship, commerce, and navigation.

Direct conflict w/ statute

ignores public comments

see pg. 3 + 4 of spread sheet

BS

I don't believe any will have the least difficulty determining who is a domestic Non-Profit

its discriminatory anyway

discriminatory anyway BS

(Old) 2. The new Circular states that the GOCO exclusion is intended to encompass FFRDC's even though many FFRDC's do not come within the statutory language applied to GOCO's -- accordingly, the Circular denies the new law to some organizations without requiring the agencies to report to GAO.

ignores public comments — pg. 8

(Old) 3. Continues the requirement to report to GAO funding agreements which follow the normal policy as opposed to limiting reporting only when the policy is not followed. This creates substantial burdens which is simply not necessary.

one word of concern

Resolved

286 of NASA procurement agree these data available (also see BS)

(New) 4. Part 7c(1) states that the policy applies to subcontracts under funding agreements with contractors "that are not small business firms or nonprofit organizations" -- seems to imply that it does not apply to subcontracts

ignores public comments see pg. 8 + 13 of spread sheet

Stupid!

one word clarification

insert "also"

under funding agreements that are with small business firms or nonprofit organizations. This is not in accordance with P.L. 96-517.

(New) 5. Part 8d permits the agencies to acquire greater rights, including title, where necessary to comply with international agreements. This is not permitted by P.L. 96-517 unless the exceptional circumstances procedures are followed.

(New) 6. Part 9b changes the "authority" that P.L. 96-517 gives to agencies not to disclose information regarding inventions under FOIA requests to a "requirement" not to disclose. This requirement goes beyond inventions covered by the statute and goes beyond the OFPP authority. OFPP is authorized by the law to implement sections 202-204 of P.L. 96-517, and this part implements section 205 of that statute.

For small businesses and nonprofits, a reasonable time for withholding publication is stated as being equal to the time for filing a patent application -- that is 38 months. This is exactly the interpretation the agencies requested not be made. The agencies are allowed to disclose under FOIA after an election to file, or after the time period expires for filing (38 months) or after the contractor has filed.

(New) 7. Part 9c forbids disclosure of part of the patent application of an invention from a small business or nonprofit contractor. The discretion of the statute has been converted to a requirement for which there are apparently no exceptions or time limits. Again, this implements section 205 of P.L. 96-517 which OFPP is not authorized to implement.

(New) 8. Under Part 10a, the lead agency (presumably Commerce) issues Government-wide "instructions" (i.e., regulations) on obtaining information from contractors on invention utilization. This is a change from a coordinating function to Government-wide regulation authorization.

(New) 9. The march-in rights procedures are very burdensome and very complex. They go beyond the procedures of the Bulletin and ignore the proposals made by the IPPC Patent Subcommittee. They require an informal notification process and a formal notification process. This involves two separate and redundant exchanges of intentions and arguments. There is a fact finding process with a hearing which must be closed to the public when issues of utilization are involved. Time limits are imposed under which the Government forfeits its statutory march-in responsibilities. IT DOES NOT EVEN PROVIDE FOR AN APPEAL OF THE DECISION MAKING PROCESS.

(New) 10. Appeals are provided for the following:

(a) Refusal to extend the time for disclosing, electing, or filing;

(b) Requesting title where the contractor has not disclosed or elected within time limits, failed to file within time limits, or continued to prosecute, pay maintenance fees, or defend opposition proceedings;

(c) Refusal to grant a waiver to the requirement to manufacture in the U.S. under exclusive licenses;

(d) Refusal to approve assignments by nonprofit organizations; and

(e) Refusal to approve extensions to exclusive licenses by nonprofits.

Each of the above actions must be made in writing, provide the basis for the decision, and state facts relied upon for the decision, and sent to the contractor. Appeals follow the complex procedures of the march-in rights. All of this is overkill, burdensome, and ridiculous. It provides a substantial appeal process where an agency wishes to obtain title to an invention when the contractor has failed to exercise its rights or even to discontinue the prosecuting of a patent applications.

(Old) 11. Neither paragraph c of the patent rights clause, nor any other paragraph of the clause requires the contractor to elect and file prior to the creation of the statutory bar in foreign countries. Even though communications involving statutory bars are required, action to protect the Government's residual rights in foreign patents is not provided for.

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Productivity,
Technology and Innovation
Washington, D.C. 20230
(202) 377-1984

Mr. Rusty Olshine
FAR Project Office
Suite 700, Webb Building
4040 N. Fairfax Drive
Arlington, Virginia 22203

Dear Mr. Olshine:

The Federal Acquisition Regulation draft Part 27 on patents is unacceptable to the Department of Commerce. The draft does not comply with P.L. 96-517, OMB Circular A-124, or the President's Memorandum of February 18 on Government Patent Policy. If the draft were to become final, all classes of Federal R&D contractors would lose rights they now receive. It would also prevent the Department and other agencies from using a single patent clause in all R&D funding agreements (copy of the single clause approved by the Secretary attached).

This Department's primary goals are to increase America's competitiveness in the world economy, and to stimulate productivity, economic recovery, and growth. The Federal Government funds a large share of the nation's research and development ($40 billion in 1983) but makes virtually no products that move the research results to the market. To obtain the economic benefits the country must have from its Government research, the results must be made available to the private sector on sound business terms. The President's Memorandum was written to guide the drafters of Part 27 toward contributing to this national need. The FAR must, of course, protect the interests of Federal agencies in inventions used in products they buy. But the draft goes so far in providing for possible worst-case situations that it would actually reverse currently operating policies designed to promote commercialization of Government funded inventions. A better balance is needed.

The sheer magnitude of the 295 page draft is a measure of its unnecessary complexity. It resulted from a fundamental error of approach. The President's Memorandum directed that "agency policy with respect to disposition of any invention made in the performance of a federally-funded research and development contract, grant, or cooperative agreement award shall be the same or substantially the same as applied to small business firms and nonprofit organizations under Chapter 38 of Title 35 of the United States Code" (emphasis added). OMB Circular A-124 provides the policies, procedures, guidelines for

implementing that statute. Neither the Federal Procurement Regulations nor the Defense Acquisition Regulation have been updated to reflect A-124, which superceded any conflicting provisions they contain. Thus, comparisons of the draft FAR to the two regulations is meaningless where P.L. 96-517, the Circular, or the Presidential Memorandum is concerned. Had the draft been compared to the Circular instead of the two regulations, the differences would be obvious.

The major shortcomings of the draft with a few illustrative examples are:

1. It conflicts with P.L. 96-517 as it applies to small business and nonprofit organizations.

   a. 27.302-4a conflicts with 35 USC 202(a). The statute says that agencies may withhold the right of contractor ownership for one of three specified reasons including contractor operation of a Government-owned facility. The FAR draft replaces may with shall. (The FAR draft is also opposite to Administration supported legislation that would normally allow contractor ownership of inventions produced in Government-owned, contractor-operated facilities.)

   b. 27.302-6(a) conflicts with 35 USC 202(f)(1). The FAR would allow an agency head or a designee to approve a contract which allows the Government to require the licensing of contractor background inventions to third parties. The statute specifically says that an agency head may not delegate the authority to make this approval.

2. The draft conflicts with OMB Circular A-124 as it applies to small business and nonprofit organizations.

   a. The clause presented at 52.227-13 is not the clause prescribed by OMB Circular A-124. The Circular says that each funding agreement shall contain the standard patent clause prescribed in Attachment A to the Circular, with such tailoring and modifications as are authorized in Part 8 of Circular. The FAR clause includes extensive changes to the prescribed clause that are not authorized. Many of these changes are substantative. Since the Department of Commerce is the lead agency for monitoring Government-wide implementation of OMB Circular A-124, I must advise you that the proposed FAR clause is not an acceptable implementation of the Circular or P.L. 96-517. Since the statute specifically mandates that a standard clause be established by the Office of Federal Procurement Policy, and the A-124 clause was created under this mandate, contractors would nave grounds for rejecting the proposed FAR clause.

b. The same FAR clause allows agencies to specify all reporting forms, while the A-124 standard clause specifically allows contractor to use their own formats for initial invention reports, and requires use of forms to be developed by the Department of Commerce for invention use reports. This provision of the FAR clause conflicts both OMB Circular A-40 report control policies and the intent of A-124 to minimize the number of forms imposed on contractors. If OMB clearance is not obtained on each reporting form, contractors can ignore the reporting requirement.

3. The draft does not comply with the President's Memorandum. Absolutely no attempt was made to produce a regulation that is comparable in any way to OMB Circular A-124.

Attached is a more detailed compilation of the shortcomings of the proposed FAR Part 27 as it relates to patents. In light of the extensive differences between Part 27 and P.L. 96-517, OMB Circular A-124 and the President's Memorandum, I recommend that instead of trying to modify the draft, that it be withdrawn and replaced with a completely new document.

Sincerely,

D. Bruce Merrifield

Enclosure

OPTI/T&I/Mr. Parker/cw 7/14/83
bc: Dr. Merrifield
Mr. Milberg
Dr. Williams
Mr. Latker
Mr. Parker

PATENT RELATED DEFICIENCIES
FEDERAL ACQUISITION REGULATION (FAR)
PART 27 PATENTS, DATA, COPYRIGHTS

A. CONTRACTS WITH SMALL BUSINESS FIRMS AND NONPROFIT ORGANIZATIONS

1. 27.302-3 Authority, p.53. This subsection does not mention OMB Circular A-124, the regulation issued by OMB/OFPP as required by P.L. 96-517. The Circular contains the standard patent clause to be used in all R&D contracts with small business and nonprofit organizations.

2. 27.302-4(a) Contract clause, p.53. This subsection converts what both the statute and OMB Circular A-124 establish as optional exceptions to the general rule of allowing title to the contractor into mandatory exceptions. This was done by substituting the word "unless" for the A-124 language "except that the funding agreement may contain alternative provisions." There is no basis for this change, and it is not consistent with the counterpart section for other types of contractors on p.31.

3. 27.302-4(b), Procedures for making exceptions, p.54. This paragraph does not include the requirement for data collection in aid of GAO found at paragraph 7.b.(2) of OMB Circular A-124.

4. 27.302-4(d), Treaty obligations, p.54. This paragraph and the instructions with Alternative I at the end of FAR 52.227-13 are an incomplete variant of the instructions and policies established at paragraph 8.d. of OMB Circular A-124.

5. 27.302-5(a), Minimum rights to contractor,p.55. Since this repeats language that should be in the standard clause as prescribed by A-124, there is no need for it in this subsection.

6. 27.302-5(b), Miscellaneous reporting requirements, p.56. This section and associated clause language is at variance with OMB Circular A-124 in several respects. First, at the insistence of the agencies, OMB Circular A-124 made inclusion of most of these reporting requirements optional with the individual agencies. The FAR should conform with the Circular.

Second, the requirement to furnish copies of subcontracts as an automatic part of the clause is probably improper in most cases since the Circular says that these administrative requirements may only be used "to the extent not required by other provisions of the funding agreement." Most procurement contracts would, via other clauses, provide for agency review and approval of R&D subcontracts. It is unlikely that this requirement could be justified as a normal part of the patent rights clause.

Third, the requirement at subparagraph (4) for submission of confirmatory instruments within specified 6 month periods (and corresponding language in the FAR clause) has no counterpart in the Circular standard clause, and is partially inconsistent with paragraph (f)(1) of the A-124 standard clause.

Fourth, the instruction at paragraph (5) that the contracting officer may require the contractor to submit periodic reports on utilization is inconsistent with paragraph 10 of the Circular. The FAR should inform contracting officers that they may not seek periodic reports pending the establishment of a uniform system as contemplated in the Circular.

7. 27.302-5(c), Retention of rights by contractor, p.57. The last sentence of this paragraph is not technically correct and varies from the provisions of paragraph 11 of OMB Circular A-124.

8. 27.302-5(d), Government assignment to contractor of rights in Government employee inventions, p.57. The last part of this paragraph is not completely consistent with paragraph 12 of the Circular. The reference should be to the standard clause and not to "35 USC 200 et. seq."

9. 27.302, Appeals. The section fails to incorporate anywhere the appeals procedures prescribed in paragraph 14 of the Circular.

10. 27.302, Consolidated agency administration. The section fails to incorporate the provision of paragraph 16.c. of OMB Circular A-124 regarding consolidation of agency administration when two or more sponsors are involved.

11. 27.302-6, Licensing of background patent rights to third parties, p.61. Subparagraph (a) is in conflict with the statutory provision at 35 USC 202 (f)(1) which states that the decision to use certain types of background rights clauses must be made "by the head of the agency" and that "The head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph." The proposed FAR language provides that such actions may be taken by "a designee" of the agency head is in clear contradiction of the statute and the Circular.

Subparagraph (b) states that the decision to actually exercise rights under a background clause may be made by the "agency head or a designee." While this does not conflict with the statute, it does conflict with the Circular which does not authorize the decision to be made by a designee. The Circular's requirement was designed to give full recognition to the sensitive nature of any decision to require mandatory licensing of contractor-owned background inventions.

12. 52.227-13, Clause, p. 215 et. seq. The clause in the draft FAR is not the clause required by P.L. 96-517 and OMB Circular A-124. 35 USC 206 provides in part, "...the Office of Federal Procurement Policy shall establish standard funding agreement provisions required under this chapter." OMB Circular was developed and issued pursuant to this requirement and authority. The Circular contains the standard funding agreement provisions in the form of a standard clause and includes instructions on the limited modifications that can be made to the clause. The FAR must adopt the standard clause, with only those modifications permitted by the Circular.

The clause in the draft FAR is a complete re-write of the A-124 clause, with both editorial and substantative changes. Some of the substantative changes are:

A. Paragraph (c) of the standard A-124 clause dealing with disclosure, election, and filing has been extensively rearranged. Agencies have been allowed to shorten by two months the contractor's period for filing patent applications in certain situations. The term "Secrecy Order" in paragraph (c)(3) of the standard clause has been changed to "security reasons." The standard provision that filing take place prior to the U.S. statutory bar date has been omitted. The FAR draft contains new language to paragraph (c) requiring confirmatory instruments, and a requirement for the contractor to provide information and documents that the Circular makes optional with the individual agencies. The FAR clause contains different language on the contractor's obligation to report proposed publications, and drops the require-

ment to notify the agency of manuscripts accepted for publication after the time of the initial invention disclosure.

B. Contractor minimum rights. The proposed FAR clause shortens paragraph (e) by cross reference to FAR 27.302-5(a). The A-124 clause spells out the rights to include them with the award document.

C. Administrative Conditions. Paragraph (f)(5) of the FAR clause does not conform with the Circular clause that makes use of some administrative conditions optional with the agencies.

D. Subcontracts. Paragraph (g)(1) of the FAR clause is not found in the A-124 clause. It appears unnecessary and redundant. Paragraph (g)(4), in part, goes beyond the administrative requirements which A-124 authorizes agencies to impose on contractors. Furthermore, those parts that are authorized were made optional by paragraph 8 of the Circular. Paragraph (g)(3) of the A-124 clause dealing with privity between the subs, prime, and Government has been omitted from the FAR clause.

E. Paragraph (j). Paragraph (j) of the FAR clause refers to the "Secretary" of any agency. The A-124 clause says "agency."

F. Standard Forms. Paragraph (1) of the FAR clause appears to sanction an agency's prescribing a form for reporting invention disclosures. This is not authorized by A-124, would require OMB approval under Circular A-40, and is inconsistent with the intent of the A-124 standard clause.

13. 27.302 and 52.227-13, Compatibility with assistance policies. The proposed FAR provisions for contracts with small business and nonprofit organizations are significantly different from the requirements of A-124 which all agencies will have to follow when awarding grants and cooperative agreements. As a result, if the FAR becomes final, all agencies that fund research and development with both assistance and procurement instruments, will have to use two sets of policies for the same class of performers. The performers, particularly the universities that receive funding from multiple sources, will have to deal with two sets of policies and clauses. This would be a clear violation of the statutory requirement for standard funding agreement provisions.

B. CONTRACTS WITH OTHER THAN SMALL BUSINESS FIRMS AND NONPROFIT ORGANIZATIONS

1. 27.301-2(a), Introduction, p.30. The introduction should either include the President's Memorandum verbatim or make clear that the Memorandum requires agencies to apply the same or substantially the same policies as are established under Chapter 38 of Title 35 U.S.C. for small business and nonprofit organizations.

2. 27.301-2(b), Contractor right to elect title, p.31. This section should make clear that agencies may also limit the rights of foreign based or controlled contractors as proposed in the administration endorsed Bill S.1657. Limitations on U.S. firms retaining patent rights in contracts involving work outside the U.S. should be removed.

3. 27.301-2(d)(1), Government right to retain title for late reporting, p. 32. The legislative history of P.L. 96-517 specifically directed that its implementation not use the FPR/DAR forfeiture provisions based on an election or reporting period after an invention's conception. Inclusion of this provision

in the FAR is in direct opposition to the President's Memorandum.

4. 27.301-2(i), Confidentiality, p. 35. The President's Memorandum states that agencies should protect the confidentiality of invention disclosures "to the extent permitted by 35 USC 205." This section does not follow that guidance. Instead, it merely cites the authority without mentioning the President's policy. OMB Circular A-124 requires that such authority "shall" be used and defines with more specificity reasonable time periods for withholding information. This section should be expanded to provide other contractors with the same protection.

5. 27.301-3, Contract clauses, p.36. The FAR instructions for selecting a contract clause require the "Acquisition by the Government" clause to be used when the work is to be performed outside the United States, its posessions, and Puerto Rico. This major limitation on the right of U.S. firms to own inventions is not found in the Presidential Memorandum, OMB Circular A-124, of P.L. 96-517. As discussed in B.2. above, the issue is with foreign contractors, not where U.S. firms perform.

6. 27.301-3(b)(1), Tailored or other clauses, p. 36. The limitations on agency tailoring clauses or using other clauses for international programs are not adequately presented. Paragraph 8.d. of A-124 should be used instead.

7. 27.301-4(b), Modification, waiver, or omission of rights of the Government or obligations of the contractor, p.41. This section unnecessarily restricts implementation of the second paragraph of the President's Memorandum by requiring a deviation procedure. The primary use of this authority will be in cost-sharing contracts, and for several years, the FPR patent section has specifically stated that in cost-sharing situations, its provisions are not binding.

8. 27.301-4, Exercise of march-in rights, p.42. Contractors covered by this section will have less procedural rights and safeguards than small business and nonprofit organizations under A-124. Also, there is no statement that appeals of march-in decisions may (or will) be subject to the Contract Disputes Act, as OFPP required to included in A-124.

9. 27.301-5(a)(2), Prices of contracts placed for other agencies, p.49. The statement that a contract's price will not be increased by reason of a special patent clause does not appear to be reasonable. One must assume that inclusion of a patent clause less favorable than one agreed to by the original procurement agency would tend to result in a price increase.

10. 52.227-11, Retention by the Contractor Clause, p. 175. Rather than being the same or substantially the same, as required by the Presidential Memorandum, the proposed FAR clause is both substantially different from the small business and nonprofit organization clause, and more restrictive than current FPR and DAR provisions.

A. Instructions for use, p. 175. These instructions repeat and reinforce the exclusion of contracts for work performed outside of the United States.

B. Forfeiture for late reporting. The proposed FAR clause contains a disclosure, election, filing, and forfeiture format that is at variance with the clause prescribed for nonprofits and small businesses under A-124. It is less favorable to the contractor and thus fails to meet the requirements of the President's Memorandum.

The proposed clause perpetuates the DAR/FPR requirement for contractors to report inventions within six months after conception or first reduction to practice. Conception is too ambiguous a concept to be used as the basis for determining invention ownership. The A-124 clause discontinued this basis for reporting because of specific reference in the P.L. 96-517 legislative history, to the DAR/FPR provisions as unworkable and destructive of rights. The destruction results from the provisions for forfeiture for late reporting. The President's Memorandum was intended to secure rights, not destroy them.

C. Withholding of payments. Neither P.L. 96-517 nor OMB Circular A-124 authorize or include withholding provisions. Since most contracts include a provision for partial withholdings, there seems to be no need for a specific provision in the patent clause. A recent NASA BCA case has held that such provisions are unenforcable penalty provisions.

D. Alternative treaty language, p. 187. The alternative language provided on p. 187 is the same as in OMB Circular A-124. However, paragraph 8.d. of the Circular discusses additional modifications of this language which are permissible, including the deletion of references to "future treaties." These instructions should be included here or in Part 27.

C. ADMINISTRATION OF PATENT RIGHTS CLAUSES

1. 27.303-1, Patent Rights Follow-up, p. 62. This is almost verbatim from paragraph 16 of A-124, except that the words "when appropriate" have been dropped from the beginning of subparaph (c). The result appears to require a patent application to be filed on every subject invention.

2. 27.303-2(b), Contractor reports, p. 62. This paragraph states that agencies may prescribe forms for invention disclosures. This is inconsistent with A-124 and ignores OMB Circular A-40.

3. 37.303-3, Follow-up by Government, p. 63-64. This whole subsection needs to be rewritten to make it clear that these procedures are merely suggestions for agency consideration. Many agencies may not see the need for the staff of patent attornies that these mandatory provisions would require. Further, similar amounts spent on incentives or other techniques may prove more effective.

4. 27.303-4, Remedies, p. 65. If the withholding language is removed from the clause at 52.227-11, this language should also be removed. If not, this provision must be revised to indicate that there is no withholding paragraph in the clause for small business and nonprofit organizations.

4. 27.303-6, Publication or release of invention disclosures, p. 66. As this subsection applies to small business and nonprofit organizations, it varies from its counterpart provision at paragraph 9 of A-124. The Circular requires reliance on the authority of 35 USC 205, while the FAR makes reliance optional. FAR paragraph (c) requires contractors to mark certain data at the time of delivery, while A-124 does not. This subsection says that contractors are to refrain from publication but the actual FAR clauses do not contain any such provision and A-124 does not empose this restraint.

This subsection does not comply with the President's direction to protect the confidentiality of other contractors' information in accordance with 35 USC 205.

D. BACKGROUND TECHNOLOGY

Subpart 27.5 and the related clause provisions in Part 52, are not consistent with the requirements of 35 USC 202(f) and OMB Circular A-124. It must be revised to conform, at least for small business and nonprofit organizations.

This subpart presents an entirely new policy, never before before applied Government-wide. It permits a degree of Government intervention into the marketplace that is not consistent with the basic policies of this administration. From a procurement standpoint, the possibility or requiring licensing of background patents to third parties could be expected to increase bid prices.

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Productivity,
Technology and Innovation
Washington, D.C. 20230
(202) 377-1984

JUL 05 1983

MEMORANDUM FOR D. Bruce Merrifield

From: Norm Latker NL

Subject: Status Report on FAR, Patent Legislation and Laboratory R&D

1. Part 27, "Patents, data and copyrights" of the Federal Acquisition Regulation (FAR).

This report covers the period from the May 20th issuance of Part 27 to date. Public and agency comments are due by July 20 and final issuance scheduled on September 30.

The May 20 issuance caught all agencies by surprise since it was developed without policy review or consultation with appropriate personnel in the agencies. Our initial review promopted Secretary Baldridge's May 16, 1983 letter to OMB asking withdrawal and establishment of an appropriate process to develop Part 27. OMB rejection of our request necessitated:

a) A timely in-depth analysis of all 290 pages of Part 27,

b) Timely establishment of strong lines of communication into all appropriate persons and agencies excluded from the development of Part 27, and

c) The ability to respond to inquires from the private sector who must develop responses before the July 20 deadline.

Since OMB's rejection of our request, DOD has also taken our position on the technical data portion of Part 27 and asked for its withdrawal.

We have spent many man-hours on all of these needs. Here are some of our finding and observations:

a) Analysis of Patent section of Part 27

The seriousness of the documented differences between the remaining patent section of Part 27 and P.L. 96-517, OMB Circular A-124 and the President's

memorandum on patent policy leads to the conclusion that Part 27, is an attempt to subvert the concept of clear contractor-ownership. If left in place FAR will abort the Administration's ability to support the son of Schmitt-Ertel as the FAR is the opposite in its treatment of contractor-ownership of inventions made at contractor operated laboratories, protection of proprietary information, research conducted by U.S. contractors outside the United States, invention reporting requirements, contractor appeal rights and in many other respects. Also serious in our view is the fact that Part 27 does not treat all performers "the same or substantially the same as small business/ universities under P.L. 96-517" as required by the President's memo. This has the inherent outcome of forcing all agenices and the private sector to administer three different patent policies with all their substantive differences rather than the one policy/patent clause anticipated by the President's memo.

b) Communications with other agencies

We have or are successfully building lines of communications into the appropriate reviewers of FAR at Agriculture, Interior, EPA, AID, V.A., S.B.A., HHS and NSF. All these agencies either have publicly declared their intent to use or support the single policy/patent clause approach of OMB Circular A-124 for all performers or are moving to do so. We are doing everything we can to assure that they make their views known before the July 20 deadline on FAR comments. If the FAR goes into place on Sept 30 all these agencies will be precluded from using the single policy/patent clause approach.

In addition to talking to all the agencies which were denied participation in the development of Part 27 before its issuance we have tried to reach policy officials at DOD, GSA, and DOE and to alert them to the three policy approach forced on all agencies by their agency's development of the FAR. In this regard, you signed one letter to the GSA Administrator which has not been answered. Calls to Bill Ferguson the Director of Federal Procurement Regulations are also not answered.

It appears that we have penetrated DOD through a meeting and letter to Dr. Jerry Smith, the Technical Director at the Office of Naval Research. This contact has precipitated an offer from Dr. Smith to you to mediate DOD's differences with Commerce. We believe it

very important that we encourage this dialogue as he is implicity signaling us that he is not sure of the appropriateness of the DOD position despite his staff's strong advocacy position. We have drafted an upbeat response to Dr. Smith that will be on your desk shortly.

At Egils' request we attempted to set-up a meeting with either Egils or you with the General Counsel at D.O.E. After follow ups and no response we have for the time given up making this contact. However, we plan to at least alert Dr. Trivelpiece, Director of Research, DOE that the FAR precludes, DOE the discretion to leave contractor-ownership with the DOE National laboratories notwithstanding his public support of that policy.

We have been unable to identify anyone at NASA like Dr. Smith at DOD willing to question their staff's position. We do not believe that negotiation with that agency will be fruitful until our position gains more public support.

Since OMB is the single agency able to withdraw Part 27, absent a change of position on the part of GSA, DOD or NASA (who are responsible for the FAR issuance), we are continuing to brief the components of OMB who would normally be responsible to review the FAR. The Office of Federal Procurement Policy/OMB clearly has been advised of our position through Secretary Baldrige's letter.

c) Private Sector Activities

The private sector patent community is now aware that FAR is intended to eliminate or ignore rights given to then under existing regulations, P.L. 96-517, OMB Circular A-124 and the President's memo. They are rapidly developing the data base to support their position. Contacts with officials of the Areospace Industry Association (AIA), the Council on Government Relations (COGR), the American Association of Universities (AAU), the American Patent Law Association (APLA), the Society of University Patent Administrators (SUPA), the Licensing Executive Society (LES), and the Association of Corporate Patents Counsels (ACPC) have indicated their intention to support the single policy/patent clause approach intended by the President's memo. While their position is unambiguous they have a serious problem activiating the number of senior level officers from their membership companies/universities necessary to trigger OMB withdrawal of Part 27 in the time remaining before its final issuance.

This is mainly due to the difficulty within each member's organization to translate the patent community data base into lay terms, understandable to the senior level officer who would ordinarily communicate with OMB.

d) Some Observations

- o GSA, who does no R&D, serves on the FAR drafting team as the statutory representative of the civilian agencies (everyone otner than NASA and DOD). Their statute requires that they consult with all the civilian R&D agencies prior to committing these agencies to a regulatory position. It is obvious that Part 27 was developed without agency participation. We should be asking GSA management for withdrawal of Part 27 and Part 27's re-development in consultation with the civilian agencies.

- o We should be alerting the management of the Information and Regulatory Affairs Division, OMB of the FAR problems and asking for Part 27's withdrawal and its re-development in consultation with all agencies.

- o The intense static created by supporters of Part 27 has encouraged some to suggest changes in our tactics, agenda and policy position. Because of the short deadlines we are dealing with plus evidence that our position is widely accepted by other than DOD, NASA and DOE patent staffs, we are looking to you for any need to redirect our efforts.

- o As noted DOD has withdrawn from the technical data portion of FAR. GSA and NASA have no choice but to acquiesce. This suggests that the patent section maybe equally vulnerable especially in light of GSA's failure to adhere to its statutory responsibility on consultation.

2. Legislation

We continue to furnish technical advice on the son of Schmitt-Ertel to the Senate Commerce staff on a frequent but as asked basis. The advice tney are seeking currently is in anticipatation of:

a) Going to the parliamentarian for a ruling on what committee has jurisdiction of the bill, and

b) Providing convincing data to members of Senator Gorton's staff who are uncertain of the bill's priority.

The delay in the bill's introduction appears to be due to Senator Gorton's reluctance to act. We believe it is important that a high level Administration official call Senator Gorton to emphasize the need for expeditious introduction of the bill. Additional staff work will probably not result in the bill's introduction.

3. Systems Plan For Commercialization of Technology Resulting from Government Laboratories.

We are starting to sketch-out a significant revision of the systems plan which will identify and elaborate on the elements and authorities that we believe should make up a technology management office at a government laboratory in order to optimize commercialization of laboratory results. Because the plan is a significatnt cross-cut affecting many existing authorities and the need to create authorities we need to consult with you Egils and Jack privately to determine what staff resources you would want committed to the effort.

cc: Egils Milbergs
Jack Williams