United States General Accounting Office

GAO Testimony

For Release
on Delivery
Expected at
10:00 a.m. EDT
Thursday
June 11, 1987

Federal Patent Policy

Statement of
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Before the
Subcommittee on Courts, Civil Liberties
and the Administration of Justice
Committee on the Judiciary
House of Representatives

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our report on federal patent policy,[1] which was requested by this Subcommittee and which is being released today. The purpose of our work was to assess federal agencies' implementation of several recent patent policy changes and their impact on universities, other nonprofit organizations, and small businesses. Specifically, to stimulate the use of federally funded technology, the government has given most federal funding recipients the right to retain title to inventions that they develop. The government also established a statutory invention registration (SIR) procedure to provide some of the protection of a patent at less cost.

In brief, we found that the patent policy changes have been viewed favorably by university and small business officials, who reported a significant positive impact on their research and innovation. We also found that federal agencies generally have implemented the changes in federal patent policy. However, the Departments of Defense (DOD) and Energy (DOE) have made very limited use of SIRs, which accounted for 16 percent of DOD's and 4 percent of DOE's applications to the Patent and Trademark Office in fiscal year 1986. Given the small use made of SIRs by these departments and in light of congressional intent, we believe and recommend that DOD and DOE should take action to encourage the use of the SIR procedure.

TITLE RIGHTS TO FEDERALLY FUNDED INVENTIONS

In 1980 the Congress enacted Public Law 96-517, the Patent and Trademarks Amendments of 1980, which gave universities, other nonprofit organizations, and small businesses the right--with a few exceptions--to retain title to federally funded inventions that

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[1]Patent Policy: Recent Changes in Federal Law Considered Beneficial (GAO/RCED-87-44, April 16, 1987).

they develop. The Congress subsequently amended the act in 1984 (through Public Law 98-620) to extend its coverage and remove or ease some of its restrictions. In 1983 President Reagan issued a memorandum on federal patent policy that gave large business contractors the right to retain title to their federally funded inventions to the extent permitted by law.

The objectives of Public Law 96-517 include (1) using the patent system to promote the utilization of inventions arising from federally supported research and development; (2) encouraging maximum participation of small business firms in federally supported research and development efforts; (3) promoting collaboration between businesses and nonprofit organizations, including universities; and (4) minimizing related administrative costs. In order to assess the extent to which these objectives are being met, we interviewed 25 university patent officials and 8 small business representatives. While it is too early to measure the effect that patent policy changes have had on promoting the utilization of federally funded inventions, the university and small business respondents believe that the other three objectives are being achieved.

All of the university administrators and small business representatives stated that the title rights provisions of Public Laws 96-517 and 98-620 have had a moderate to very significant positive impact on universities and small businesses.

The university administrators told us that Public Law 96-517 has been significant in stimulating business sponsorship of university research, which has grown 74 percent (from $277 million in fiscal year 1980 to $482 million in fiscal year 1985, in constant 1982 dollars). The administrators added that, of the Public Law 98-620 amendments, the removal of licensing restrictions on nonprofit organizations will be particularly significant, because businesses will be more willing to license university technology.

While the small business representatives viewed these laws as good for small businesses, they told us that other factors,

particularly the federal Small Business Innovation Research Program and the 1981 tax act's lowering of the maximum capital gains tax rate, have had equal or greater significance on small business research and innovation.

Although it was feared that the President's 1983 memorandum would, by extending title rights to large businesses, adversely affect universities and small businesses, our respondents felt that this had not occurred.

One final note on the federal title rights provisions. We asked the university administrators if there were any additional changes in federal law related to federally funded inventions and innovations that should be enacted. None of the administrators cited an example that directly related to title rights to federally funded inventions. Four administrators stated, however, that the government should develop a uniform policy that would enable universities to retain rights to federally funded copyright material, particularly computer software. President Reagan's recent Executive Order 12591 on Facilitating Access to Science and Technology addressed this concern by directing federal agency heads to cooperate in the development of a uniform policy permitting federal contractors to retain rights to software, engineering drawings, and other technical data generated by federal grants and contracts.

STATUTORY INVENTION REGISTRATIONS

In establishing the SIR procedure through Public Law 98-622, the Congress intended to provide inventors with a less time-consuming and expensive alternative to a patent. A SIR is similar to a patent because it prevents others from patenting an invention, but it differs in that it does not permit the holder to exclude others from making, using, or selling the invention.

Fiscal year 1986 was the first full year in which applicants could file for a SIR. During that year, the Patent and Trademark Office received 131,000 patent applications and 129 original SIR

applications. Of the SIR applications, federal agencies filed 121 and large businesses filed 8.

No university, other nonprofit organization, or small business has filed a SIR application. This is not surprising given the results of our survey of university and small business representatives, most of whom said that their organizations generally were not aware of the SIR procedure. The university administrators added that universities will not use SIRs regularly, primarily because (1) universities do not need defensive patent protection, since they do not procure or manufacture products that result from their research and development; and (2) their investigators will continue to disseminate research results publicly through the scientific literature. Most of the small business representatives said that small businesses likewise will not use SIRs, mainly because of the significant patent attorney costs associated with preparing and prosecuting a patent or SIR application. Instead, small businesses would use their limited resources to pursue patents that give them exclusive rights to inventions. Alternatively, most of the respondents said that SIRs would not adversely affect their organizations.

While SIRs are available to any applicant, they are aimed at federal agencies (DOD and, to a lesser extent, DOE), whose primary objectives are to obtain patents to protect their large procurement programs from other inventors' developing and patenting the inventions and subsequently filing patent infringement lawsuits against the federal agencies.

In its report on Public Law 98-622, the Senate Committee on the Judiciary stated that the commercialization rate for federal inventions was "distressingly low" and that a SIR invention protection is adequate for the majority of government-owned inventions. While the Congress intended that DOD and DOE actively use SIRs, DOD filed 582 patent applications and 108 SIR applications, yet licensed only 4 patents in fiscal year 1986. DOE filed 294 patent applications and 11 SIR applications while licensing 37 patents in fiscal year 1986. (See att. I.)

Defense and Energy patent attorneys expressed concern about using a SIR because it could adversely affect inventor morale and will result in only small cost savings. Agencies have taken some actions to reduce concern that for a SIR the inventor may not receive the recognition of a patent. For example, effective January 1987, the Army established the same incentive awards for SIRs as are used for patents.

Regarding cost savings, the Patent Office's fees for an SIR are $500 less than the application and issuance fees for a patent. In addition, agencies would have to pay periodic maintenance fees to keep a patent in effect, while no maintenance fees are required for an SIR. SIRs also could reduce agencies' patent prosecution work load, which, according to an internal Navy study, accounted for 19 percent of Navy patent attorneys' time in fiscal year 1982.

In light of congressional intent, DOD and DOE patenting and licensing statistics, and potential cost savings, we believe that DOD and DOE should take specific actions to encourage the use of SIRs, which the Commerce Department could assess in its annual report to the Congress on SIRs. We recommend that the Secretary of Defense and the Secretary of Energy encourage the use of SIRs by (1) establishing written criteria for determining whether to file for a patent or a SIR, (2) recognizing SIRs in their incentive award programs, and (3) establishing annual percentage goals for using the SIR procedure.

This concludes my statement, Mr. Chairman. I would be happy to answer any questions that you or other Subcommittee Members might have.

ATTACHMENT I

Table 1: DOD and DOE Statistics on SIRs and Patents, Fiscal Year 1986

	Original SIR applications	Patent applications	Patents received	Patents licensed
DOD				
Army	70	221	241	4
Navy	38	139	199	0
Air Force	0	222	203	0
Total	108	582	643	4
DOE	11	294	259	37
Total	119	876	902	41