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Response of the Licensing Executives Society USA & Canada to NIST Request for Information: Federal Technology Transfer Authorities and Processes

July 30, 2018
Via email: roi@nist.gov

RE: RFI Response: Federal Technology Transfer Authorities and Processes
Docket Number: 180220199-819-01

The Licensing Executives Society (USA and Canada), Inc. ("LES") appreciates the opportunity to respond to the NIST Request for Information: Federal Technology Transfer Authorities and Processes as published in the *Federal Register*, May 1, 2018. LES commends NIST Director Walter Copan for instituting this "Return on Investment" (ROI) initiative and for his efforts to review Federal Technology Transfer authorities and practices; and in doing so thoughtfully, transparently, and with ample input from the user community within the innovation ecosystem.

LES is a non-partisan, non-profit, volunteer-driven professional society devoted to speeding innovation to market. For over 50 years, LES has been the premiere professional society devoted to promoting innovation and public well-being by bringing products more promptly from lab to market through intellectual property transactions and prudent intellectual capital management practices. We represent all industries, from high technology to pharma and biotech. Our nearly 3,000 members are inventors, entrepreneurs, business executives, accountants, and lawyers. We represent licensors as well as licensees. In short, we represent all sides in all quadrants of the innovation economy. We are a member society of the Licensing Executives Society International (LESI), a global community of over 10,000 licensing professionals committed to predictable, reliable, and durable intellectual property rights.

LES fully supports the NIST ROI initiative. We look forward to working with NIST in strengthening national innovation policies, and in identifying best practices, developing training programs, and ensuring efficient reporting of discoveries to ensure that the public enjoys maximum benefit from federally supported R&D.

LES joins our esteemed colleagues of the Association of University Technology Managers (AUTM) in their thoughtful and insightful remarks of July 11, 2018 in response to this RFI. In addition to endorsing and adopting those remarks, we provide additional and/or clarifying comments of our own, below.

1. What are the core Federal technology transfer principles and practices that should be protected, and those which should be adapted or changed?

LES ardently and fervently endorses AUTM's statement of the benefits of the Bayh Dole Law, and the importance of preserving it and staying true to its original objectives and practices. LES urges that Bayh Dole itself be preserved, and that its core principles and enduring practices be maintained. Any modification of Bayh Dole should be modest, incremental, and the product of open, inclusive, and deliberative engagement with the user community.

AUTM's recommendations are sound, prudent, and worthy. Chief among these are:

- Decentralization of technology ownership and management from Washington, D.C. to the creating organization;
- Establishment of clear rules that are uniformly implemented across all government agencies;
- Creation of strong incentives for university-industry partnerships for successful technology transfer; and
- Clarification of patent ownership and related benefits in the federal research and development (R&D) system.

The Bayh Dole Law afforded authority and created incentives for universities of all sizes to manage, protect, and commercialize the fruits of research performed on their campuses, and resulting from the creativity of the leading experts in a wide variety of fields. This has permitted the private sector to tap into the wealth of knowledge and expertise residing on our university campuses, and to collaboratively develop products and services that have had profound and enormously beneficial effects on our quality of life. In turn, this collaboration has enabled our universities to fund critical research and better educate our youth with funding not only from the federal government, but also from the private sector.

The Bayh Dole model has availed universities not only of critical research dollars, but of valuable collaborative opportunities. The growth in sponsored research fostered by Bayh Dole has opened a new realm of resources for universities from the private sector. The patterns of academic-industry collaboration that have evolved have allowed the theoretical knowledge of academia to blend with the practical knowledge of the private sector. This best ensures that knowledge, both theoretical and practical, is efficiently and thoroughly exchanged, and thereby put to use to maximum public benefit.

Further this decentralized model, which permits universities to exploit the meritorious benefits of our market economy, ensures that useful inventions are efficiently and

expeditiously brought to market for the public to enjoy. Any market-based economy is built upon the principles of stable, durable, and transparent property rights. It is imperative that the principles and practices of Bayh Dole respect the principle of quiet title in resulting property rights.

The ownership rights in intellectual property conferred to our universities under Bayh Dole should embody the same respect for stable, durable, and transparent property rights. Continued adherence to this principle will further advance the remarkable success of Bayh Dole. Thus, we caution against any enlargement in authority or practices relating to march-in rights, or any other diminution of the property rights conferred under Bayh Dole. The manner in which march-in rights have been authorized and implemented throughout the history of Bayh Dole is sufficient to protect the public and the government. We strongly urge that the limited approach to those rights be preserved without enlargement.

Further, we note that the early success of Bayh Dole was attributable to consistent implementation throughout the federal government, including the government's various R&D funding agencies. Implementation of the law consistent with Congressional intent is dependent upon uniform application of the principles and mandates of the law throughout our federal government. A properly empowered oversight office is necessary to achieve that objective, and should be revived.

For at least the foregoing reasons, LES expressly adopts and endorses the recommendations of our colleagues of AUTM in both of the following:

- Recommendation 1: An oversight office within the Department of Commerce should be reinforced to ensure proper and consistent application of the law and regulations – particularly related to the use of “exceptional circumstances” and “march-in rights.”
- Recommendation 2: Commerce should explore streamlining procedures and adopt best practices across all federal agencies.

Accordingly, we do not reproduce the text of AUTM's remarks here. However, we emphasize that for Bayh Dole to best achieve its potential in serving the public good by moving technology rapidly from lab to market, the law must be consistently and expansively implemented throughout the federal government, and in a manner that respects the bedrock free market principles of durable, reliable, and transparent title in resulting intellectual property.

LES combines its response to questions 2 and 3, below:

2. What are the issues that pose systemic challenges to the effective transfer of technology, knowledge, and capabilities resulting from Federal R&D? Please consider those identified in the RFI as well as others that may have inhibited collaborations with Federal laboratories, access to other federally funded R&D, or commercialization of technologies resulting from Federal R&D.

And

3. What is the proposed solution for each issue that poses a systemic challenge to the effective transfer of technology, knowledge, and capabilities resulting from Federal R&D?

Here again, LES joins its colleagues of AUTM in citing the damage done to our national innovation policy and the associated ecosystem by the decline in identifiable, durable, and enforceable patent property rights. We join AUTM's remarks, including Issues 1-5, and the corresponding proposed solutions. This decline in public confidence in the durability and value of a U.S. patent¹ must be systemically addressed and reversed if the U.S. is to again achieve its place as the leading innovation economy in the world.

The causes for this decline are attributable to the lack of a coherent and expansive national innovation policy. To stimulate innovation, our nation's policy must encourage investment in, and implementation of, research and development of new products and processes, regardless of industry or technological discipline. This demands predictability, durability, and transparency.

Regrettably, recent precedent has upended traditional notions of patent eligible subject matter so as to unduly constrict that definition, and to cause profound uncertainty. This uncertainty has been lately lamented by the judges of our lower courts, including those with special expertise in patent law. *See, e.g., Interval Licensing LLC v. AOL, Inc. et al.*, slip op. at 23-24 (Fed. Cir., July 20, 2018) (Plager, J., concurring-in-part, dissenting-in-part, "Given the current state of the law regarding what inventions are patent eligible, and in light of our governing precedents, I concur in the carefully reasoned opinion by my colleagues in the majority, even though the state of the law is such as to give little confidence that the outcome is necessarily correct. The law, as I shall explain, renders it near impossible to know with any certainty whether the invention is or is not patent eligible." (emphasis added)).

¹ *See* U.S. Chamber of Commerce, Global Innovation Policy Center, IP Index (February 2018), showing that global confidence in the U.S. patent system has declined from a perennial ranking of first in the world, to 12th; and this after dropping from first to tenth in the previous year. The report associates the drop with various unintended consequences of the America Invents Act of 2011.

Among other things, this confusion arises from precedent conflating the definition of patent eligible subject matter with other statutory criteria for patentability. The definition of patent eligible subject matter is meant to be a coarse filter; it is not properly used as a substitute for other statutory patentability criteria such as novelty (35 U.S.C. § 102) or obviousness (35 U.S.C. § 103). Legislation is needed to restore the expansive definition of patent eligible subject matter, and to place it within its proper context as an adjunct of, not a substitute for, the statutory patentability requirements of novelty and nonobviousness.

Similarly, the rights of patent owners have been compromised by restrictions on the exclusive nature of the right by ill-conceived limitations on the availability of injunctive relief. The U.S. Constitution grants Congress power to afford inventors the *exclusive* right to their inventions. U.S. Constitution, art. I, § 8, cl. 8. The right to exclude others is thus a fundamental feature of the patent grant. This right should be revived and clarified via legislation, such as is found in the Stronger Patents Act, pending in Congress as bipartisan companion bills in both the Senate and the House (S. 1390 and H.R. 5340). We urge you to support legislation that will rectify this diminution of the patent right.

Patent owners, as all other property owners, have an obligation to the public to confine their enforcement actions within the reasonable ambit of the property right granted. Thus, abusive litigation practices involving patent enforcement deserve attention. Balanced and practical legislative responses as found in H.R. 6370 “Targeting Rogue and Opaque Letters Act of 2018” (“TROL Act”) will further diminish instances of abuse. We urge support for balanced measures targeting abusive litigation practices that nonetheless preserve the strength and vitality of duly granted U.S. patents.

Finally, the unintended consequences of the America Invents Act (2011) must be addressed and remedied. Perhaps most significant of these is the USPTO’s Inter Partes Review (IPR) process. IPRs have been implemented in a manner that deprives patent owners of basic due process, exposes patent claims to varying and inconsistent standards of review as between USPTO and Article III proceedings, unduly restricts amendment of claims under review, and denies patent owners quiet title in this important property right. Patent owners are subject to serial challenges by those having no standing in court; under a claim interpretation standard different than that used in court; and without freedom from challenge throughout the entire life of the patent. With the advent of IPR as presently constituted, a U.S. patent is forever under a cloud, thereby diminishing confidence, investment, product development and commercialization, and new business formation. We urge NIST to work with its colleagues at the USPTO and with Congress to effect prompt, remedial action.

In summary, and for purposes of emphasis and supplementation, we urge at least the following action to address the weaknesses that have crept into our national innovation policy, and to reverse the unfortunate decline in the durability, reliability, and value of a U.S. patent grant:

- Congress should re-assert and clarify its longstanding intention that patent eligible subject matter be interpreted expansively, and in context within the statute as a whole, especially relative to 35 U.S.C. §§ 102, 103, and 112. We encourage enactment of a new version of 35 U.S.C. § 101 that, among other things, expressly legislatively overrules recent precedent responsible for the prevailing uncertainty.
- Revive, by statute, the exclusive nature of the patent right by clarifying and restoring the presumptive right to injunctive relief as contemplated by the Constitution.
- Address abusive patent enforcement practices, while preserving meritorious patent rights, as by enacting the TROL Act (H.R. 6730).
- The USPTO's IPR process, if it is to be retained, must afford patent owners due process protections consistent with those of Article III proceedings. In particular, the IPR process must apply the same standard of claim interpretation as in Article III proceedings; and there should be appropriate restrictions on standing, and the number and timing of IPR proceedings such that patent owners may, at some point, be assured of quiet title in this valuable and socially beneficial property right. Patent owners should be afforded liberal opportunities to amend challenged claims within the IPR proceeding.

4. What other ways to significantly improve the transfer of technology, knowledge, and capabilities resulting from federal R&D to benefit U.S. innovation and the economy? What changes would these proposed improvements require to Federal technology transfer practices, policies, regulations, and legislation?

LES supports the remarks and recommendations of AUTM, with added commentary and suggestions below.

A Focus on ROI May Undermine Commercialization

An unduly narrow and shortsighted focus on "ROI" is inconsistent with the nature of academic-industry collaboration. Academicians excel in basic research where commercial applications may not be apparent for many years. While it is laudable, and in the public interest, to marry the academic's expertise in basic research with the business executive's focus on commercial application, the measurement of success of that enterprise is a notoriously complex and elusive exercise.

We should be careful to avoid applying narrow and superficial metrics in measuring the success of federal support of research. Success in this context has many and varying definitions. ROI is perhaps best achieved by empowering federal labs and academia to employ the principles of the free market, and in fostering an exchange of best practices, and even personnel, between the private sector and academia/federal labs.

Successful and Sustainable Commercialization Requires Supporting Networks and Funding

We should bear in mind that patents are not products, and products are not profits. There is a broad gulf between an invention in the lab and the successful commercialization of a product, process, or business. The gulf between start-up funding and sustainable profitability is where most new enterprises fail. This is the so-called “valley of death.” Our innovation policy should not overlook the need to support enterprises traversing this hazardous territory. It is a necessary, but inherently risky, exercise. Programs such as the Small Business Innovation Research (SBIR) program are essential to ensure that fledgling invention is turned into sustainable business. Thus, the SBIR program and similar supporting networks are critical to bringing federally supported research from lab to market. Expansion of such programs will enhance ROI on federally supported research.

We commend NIST in initiating a dialogue on these complex and important topics, and we encourage ongoing exploration and discussion.

5. CONCLUSION

LES gratefully acknowledges the opportunity to share its insights and recommendations to NIST, and we commend Director Copan and NIST in opening this dialogue to the full range of stakeholders.

We urge restoration rather than revolution in the implementation of Bayh Dole. As originally envisioned, structured, and implemented, Bayh Dole has had a profoundly meritorious effect on U.S. innovation and commercialization of new technologies, and in the health and vitality of our higher education system. Many countries have copied this regime in the hopes of realizing those same benefits. Faithful implementation of Bayh Dole consistent with its original intentions and objectives will best yield substantial and worthy ROI. Further modification deviating from those early principles and practices should be undertaken cautiously, and with open and transparent inclusion of the user community.

Finally, we urge further development of a consistent national innovation policy that starts with revival and restoration of strong, durable, and reliable intellectual property rights, particularly patent rights. This requires smoothing out the inconsistencies of “policy by precedent”; an expansive view of patent eligible subject matter; and adherence to the principles of due process and quiet title in property rights such as will encourage investment in, and the creation of, new products, businesses, and industries.

LES looks forward to working with NIST and other agencies and branches of our government to further improve and enhance the U.S. innovation ecosystem. We encourage you to contact us as occasions and opportunities to do so arise.

Very best regards



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