CSGAS 15 September 1949

SUBJECT: Policy Relating to Employee-made Inventions

TO: The Judge Advocate General
Special Staff, United States Army
Washington 25, D. C.

1. Reference is made to JAGO letter dated 2 May 1949, Subject: Restatement and Clarification of the Policy Relating to Government Employee-made Inventions (Incl. 1, with Exhibit A). Attached hereto as Inclosure 2 are detailed comments on Exhibit A, most of which deal with Par. (a)(2) thereof.

2. The Army Security Agency is of the opinion that the adoption of Par. (a)(2) of Exhibit A would be detrimental to national defense and to the nation as a whole, for reasons set forth in detail in Incl. 2.

3. It is requested that the Army Security Agency be kept informed of the progress made in the formulation of any new policy or of modifications in existing policy. It is further requested that the Army Security Agency be given an opportunity to participate in all conferences held on the subject.

CARTER W. CLARKE
Brigadier General, USA
Chief, Army Security Agency

4 Incls
1. Cpy ltr 2 May 49
2. Detailed Comments & Observations on Exhibit A w/7 tabs
3. Cpy ltr 10 May 49
4. DF, 5 May 49

COPY

2 May 1949

SUBJECT: Restatement and Clarification of the Policy Relating to Government Employee made Inventions.

TO: The Surgeon General, ATTN: Chief, Legal Office
Chief of Transportation, ATTN: Chief, Legal Division
Chief of Ordnance, ATTN: ORDGL-Patent Section
Chief Signal Officer, ATTN: Director, Legal Division
The Quartermaster General, ATTN: Chief, Patent Law Sec.
Chief, Chemical Corps, ATTN: Chief, Legal Advisor
Chief of Engineers, ATTN: Mr. V. V. Martin, Special Counsel

1. Personnel of this office has been designated by the Assistant Secretary of the Army to confer with representatives of the Departments of the Navy and Air Force for the purpose of formulating a statement of policy for the Armed Services with respect to the rights of the Government and its employees in employee inventions. It is contemplated that such a policy will be issued in the form of directive or amendment to pertinent existing regulations.

2. A number of conferences have been held with the Department of the Navy and Air Force in working out the details of such a statement. The results of the conferences in the form of a statement re Employee made inventions is attached hereto as Exhibit A. This statement was drafted in view of the Dubilier decision and the various decisions which set forth exceptions to the general rule. These decisions are summarized in Marshall v. Colgate - Palmolive - Peet Co. Dist. Ct. D. Delaware (Feb 18, 1948) 77 U.S.P.Q. 69, 77.

3. It is requested therefore that Exhibit A be reviewed and such comments as desired be made to this office not later than 10 May 1949.

FOR THE JUDGE ADVOCATE GENERAL:

/s/
GEORGE W. GARDES
Colonel, JAGC
Chief, Patents Division

1 Incl:
Exhibit A

COPY

1nd 1

COPY

Statement of Policy Re: Respective Rights in Inventions Made by Government Employees.

(a) The title to the invention and to any patent secured on it vests in the Government when an employee

(1) is employed to invent and makes an invention within the scope of the defined employment, or

(2) is specifically assigned to a task having as its object the devising, the improving or the perfecting of methods or means for accomplishing a prescribed result and makes an invention within the scope of the assignment.

(b) The title to the invention and to any patent secured on it resides in the employee but subject to a non-exclusive, irrevocable, royalty-free license to the Government when an employee is not employed or assigned as in (a) but

(1) makes an invention within the scope of his general employment; or

(2) makes an invention outside of the scope of his general employment, but utilizes Government time, facilities, materials, or the services of other Government employees during working hours.

(c) The title to the invention and to any patent secured on it is the property of the employee subject to no right of the Government when an employee makes an invention not within the circumstances defined in (a) and (b).

Exhibit A

COPY

Detailed Comments and Observations
on
Exhibit A

1. a. In regard to the respective rights of the Government and of its employees in inventions made by the latter, it is believed that the NME already has a uniform policy, set forth in AR 850-50 for the Department of the Army and the Department of the Air Force, and in General Order No. 31 (1935) for the Department of the Navy. Although differently worded the two regulations are practically the same in basic principles. Hence, Exhibit A may be studied in connection with the two regulations cited and it will be convenient to juxtapose the homologous paragraphs to facilitate comparison, as shown in Tab 1 to this Incl.

b. (1) Referring to Tab 1 to this inclosure, it is noted that the first sentence of Par. 7a of AR 850-50 covers two contingencies in a single sentence: (a) the case in which an employee who has been specifically hired to invent a specific thing accomplishes the thing for which he was hired and does so at the expense of the Government; and (b) the case in which an employee who was not specifically hired to invent but who was specifically designated to invent a specific thing accomplishes what he was designated to do and does so at the expense of the Government. It is probably advisable to treat these two cases separately, as has been done in Pars. (a)(1) and (2) of Exhibit A.

(2) Par. (a)(1) of Exhibit A covers the case of specific employment to invent, and under it the Government acquires all rights to any invention the employee makes within the scope of the defined employment. Under Par. 7a of AR 850-50, the Government acquires similar rights in this case. In this respect the proposed policy is the same as existing policy, which conforms to the general rule of law governing that situation.

(3) Par. (a)(2) of Exhibit A is intended to be applicable in the second of the two cases mentioned under Par. b(1) above, viz., that in which an employee who was not specifically hired to invent is specifically designated to do something. Under Par. 7a of AR 850-50, before all rights can vest in the Government the employee must be "specifically designated ... to invent a specific thing"; under Par. (a)(2) of Exhibit A all rights vest in the Government if the employee has merely been "specifically assigned to a task having as its object the devising ... of methods or means for accomplishing a prescribed result and makes an invention within the scope of the assignment." The difference in specificity between these two wordings is very important.

Incl 2

(4) Par. 2(a)(1) of Navy G.O. No. 31 seems to be equivalent to Par. (a)(2) of Exhibit A, but here too there is a difference in specificity. It is to be noted that under Par. 2a(1) of G.O. No. 31 it is only when an employee has been directed to make or improve a specific device and makes an invention bearing directly upon that particular device, that all rights in the invention belong to the Government.

(5) It is apparent that Par. (a)(2) of Exhibit A lacks the clear-cut and unmistakable specificity embodied in the homologous provision in either AR 850-50 or G.O. No. 31. It is obvious that the question of specificity is the essential feature of this whole subject. As Par. (a)(2) of Exhibit A now stands, it is to be anticipated that, without further elaboration of the expressions "a prescribed result" and "within the scope of the assignment," varying interpretations would be made in different laboratories, or by different people in the same laboratory, or by the same people in the same laboratory at different times.

(6) It is pertinent to note, in this connection, that the suggestion has already been made by the Signal Corps (Incl. 3) that in Par. (a)(2) of Exhibit A the adverb "specifically" be cancelled on the ground that "there would be less difficulty in interpreting and applying the policy if this word were omitted." There is likewise room to inquire as to what interpretations might be given to the two quoted expressions in the last sentence of subparagraph (5) above. For example, the "general improvement" of all the various types of equipment under the cognizance of a particular unit in a laboratory may be considered by many administrative or even technical officers to be "a prescribed result" and certainly they would interpret such improvement as falling "within the scope of the assignment."

c. It is believed that the foregoing discussion is sufficient to show that as regards Par. (a)(2) of Exhibit A and its homologs in AR 850-50 and G.O. No. 31 there is indeed a considerable difference between the present and the proposed policy, a significant difference in the degree of specificity required before all rights in an invention can be claimed by the Government. The importance of this difference heightens when one considers the fact that the great majority of inventions of personnel of the MIE are made under the circumstances covered in Par. (a)(2) of Exhibit A, that is, by technicians who are assigned to tasks in laboratories where the "devising, the improving or the perfecting" of equipment is the purpose of hiring them. Therefore, careful consideration of the probable effects of the adoption of Par. (a)(2) of Exhibit A is warranted.

2. a. It is believed that the adoption of Par. (a)(2) of Exhibit A would soon bring about, within the NME, a situation that would conform quite closely not only to that which generally exists in commercial laboratories and in certain other laboratories of the Government, such as the National Bureau of Standards, but also to that which high-level NME authorities feared would follow the adoption of the policy recommended by the Attorney General in 1946 in his "Report of Investigations of Government Patent Practices and Policies."

b. The Attorney General recommended, in respect to inventions made by Government employees, Government-wide adoption of a uniform policy whereby the Government would "obtain all rights to inventions made by its employees (i) during working hours, or (ii) with a substantial contribution by the Government (in the form of facilities, equipment, materials, funds or information, time paid for by the Government, or services of other Government personnel), or (iii) bearing a direct relation to the employee's official functions."

c. The foregoing proposed policy was condemned in no uncertain terms by the then responsible officials of the War Department and the Navy Department, as Tabs 2 - 6 to this inclosure adequately attest. The reasons for the rejection by the War and the Navy Departments of so rigid a policy as that recommended by the Attorney General are set forth in some detail in the tabs of reference but they can be summarized by stating that the Departments shared the view that the adoption of the Attorney General's recommended policy would be detrimental to national defense and to the general welfare of the people as a whole.

3. a. The letters included in Tabs 2 - 6 point out the necessity for Congressional legislation to put the plan proposed by the Attorney General into effect and it is highly probable that the NME officials who established existing NME policy took cognizance of the fact that there are certain legal questions as to the power or authority of administrative officers of the Government to impose by regulation a policy of a more rigorous nature than the one they established.

b. The present Judge Advocate General in a memorandum dated 16 January 1947 for the Under Secretary of War (See Tab 4 to this inclosure) stated:

> "Since an invention is private property, as held by the Supreme Court in 1890 in Solomons v. United States, 137 U.S. 342, 346, and since maintained, it cannot be taken from the owner by the Government without compensation while the 5th Amendment to the Constitution still stands, in the absence of a contract to convey the same to the Government.

"Therefore, in order to carry out the policy proposed by the Department of Justice, it would be necessary to place every employee of the War Department (Civil and Military) under a contract of employment which would provide that the employee assign all right, title and interest in every invention he may make while in Government service."

* * * * * * *

"It is believed that in the matter of inventions the present wise and long-standing policy of the Government toward its employees should remain undisturbed. (Emphasis in original.) That policy is that the relation of the Government toward them is to be considered the same as that of any corporate or other employer toward its employees (where the common law relation of master and servant has not been modified by contract)." (Emphasis supplied.)

* * * * * * *

"Considered both from the legal standpoint and as a question of practical, operative administrative policy, a uniform equitable policy of procedure for the Government controlling its relations with Government employees as to their inventions and patents is highly desirable, but, because of public interest and the personal legal rights of the parties involved, such policy can be defined only by Congress (emphasis in original) and no power to declare such a policy is, or can be, legally vested in administrative officers. This identical point is stated at length (pp. 205-209) by Justice Roberts in writing the decision of the Supreme Court in United States v. Dubilier Condenser Corp., 289 U.S. 178, which same point was also concurred in by Justice Stone and Justice Cardozo in separate opinion (pp. 219-223) in that case."

c. In connection with the question as to whether an administrative officer of the Government has the authority to impose upon Government employees contractual obligations in respect to inventions made by such employees, the following quotation from the Dubilier (majority) opinion is worth noting (See Tab 7 to this inclosure):

"Hitherto both the executive and the legislative branches of the Government have concurred in what we consider the correct view--that any such declaration of policy must come from Congress and that no power to declare it is vested in administrative officers."

d. The question which was raised by the Supreme Court in the Dubilier case was not answered by that Court. Hence, it is of doubtful accuracy to say, as stated in Par. 2 of Incl. 1, that Exhibit A "was drafted in view of the Dubilier decision ...", since that case brought up an important issue which was not decided by the Supreme Court and which bears most directly on the relations between the Government and its employees.

4. a. It is admitted that under the policy followed in the great majority of industrial laboratories technical employees are required to sign an agreement whereby all rights in inventions made by them within the course and scope of their general employment legally vest in the employer, and that these rights are usually taken by the employer. The authorities who drafted AR 850-50 and G.O. No. 31 must certainly have been fully cognizant of the policy followed in industrial laboratories; nevertheless, the policy which was deliberately adopted and which is still the official policy in the three Services does not conform to the policy followed in industrial laboratories. The present policy clearly reflects two things: (1) a more liberal concept of the rights of employees in employee-made inventions than that generally held in industrial laboratories and in certain laboratories within the Government, as, for example, the National Bureau of Standards; and (2) a firm belief that a policy which encourages and gives incentive to the making of inventions by officers and civilian employees of the Services is important in the national defense as well as in the interest of the people as a whole. This view is borne out in reiterated statements by high level authorities who have spoken on the subject. For example, the Under Secretary of War in a letter dated 24 September 1945 (See Tab 2 to this inclosure) said:

> "With respect to Government employees, it is to be observed that they, like development contractors, must be dealt with on the basis of fair dealing in the individual case. The circumstances of employment vary widely between the several Departments. In many laboratories, arsenals, proving grounds and engineering installations of the War Department it has been found that the ingenuity of the employee has been usefully stimulated by leaving commercial rights in him. I appreciate fully the force of your suggestion that this creates a contingency in which the employee may profit personally. It must not be overlooked, however, that in War Department establishments, engaged in perfecting the weapons and armaments of warfare, many notable contributions of vital importance to the national defense have been evolved under the practice of leaving commercial rights in the inventor, and that this system of incentive may be worth more to all the people than what it costs some of them."

b. To say that inventors in industrial laboratories generally have no commercial rights in their inventions and therefore inventors in Government laboratories should also be treated in the same way disregards at least two important considerations: (1) that a private employer must have all rights so that none of his employees will be in a position to sell commercial rights to competitors; and (2) that a private employer can and usually does suitably and directly reward an employee whose inventions prove profitable to his business.

c. It is believed that, although it may be legal to take away from inventors in the laboratories of the Armed Services the privilege of retaining commercial rights in their inventions, to do so would not be conducive to good morale of the employees concerned. Of course, old employees have the option to resign when confronted with a new policy, but here again there is room to suggest that this is not quite being "dealt with on the basis of fair dealing." An employee of long standing, who has built up an equity in a retirement fund and who has given hostages to fortune, is not in a good position to resign on this ground alone. He would probably stay on, bearing in his heart considerable resentment, and, moreover, what is more important, would thereafter give little thought to invention. His incentive to invent will have been impaired or destroyed.

5. a. Suppose Exhibit A is adopted, with Par. (a)(2) as it now stands. If the contention of this paper as to the significance of that paragraph is correct, the Government would, in most cases of inventions made in laboratories of the Armed Services, be entitled to take all rights and would be bound to take them. The Government would then have on its hands numerous inventions and patents, the development of which into practical form might contribute materially to the general welfare of the people of the U.S. How could the Government develop them? What would it do with its rights if the invention has important possibilities of non-military character? No mechanics exist for the development and exploitation, by the Government, of an invention for the general (non-military) benefit of the public.

b. It is practically certain that even should the Government offer free use of such inventions to the public, no benefit would accrue to anybody. Commercial concerns would not be inclined to put money into the development and exploitation of such an invention since in the absence of any patent rights there would be no way of preventing competitors who have spent no money in reducing an invention to practice from enjoying the same competitive position as the firm that spent the money. Thus, many patents of no particular interest in the national defense but of value to the general improvement of the standard of living of the people of the United States and stemming from American inventive genius will lie dormant in government files, useless to everybody. The incentive

on the part of commercial concerns to develop government-owned inventions will be lacking. As a matter of fact, the number of cases in which Government-owned patents have been developed into practical usage by commercial firms is almost insignificant.

c. (1) The Department of Agriculture for a considerable number of years has required employee-inventors either to dedicate their inventions to the public or to assign all rights to the Government when the invention was made during the course of the employee's specifically assigned duties. The Department had by 1944 acquired approximately 1000 patents in this way. A good many of these are "process" patents, which require little or no development. But where the development of patents entails a considerable financial investment, which private capital is unwilling to risk without some protection against competition, there has apparently been little exploitation of patents and thus the public at large has derived no benefit from such inventions.

(2) It is true that the Act establishing the Tennessee Valley Authority authorizes the Board to sell licenses and to collect royalties on inventions by TVA employees, and to pay a TVA-employee inventor "such sum from the income from sale of licenses as it /the Board/ may deem proper." As of 30 September 1943 TVA owned approximately 100 patents; but up to 1 January 1944, the Board had received only $1545.93 from the sale of licenses and had not authorized any payments to inventors from such income. There is reason to incline toward the view that TVA authorities do not go out of their way to evoke the interest of potential commercial developers of TVA-owned patents and to promote the sale of licenses thereto. Thus, for all practical purposes these patents lie dormant in TVA files.

d. However, even though the principle that the Government may acquire and own patents seems to have been established, the practical use to which potentially valuable patents can be put by Governmental action is very questionable. Therefore, it may well be asked: "What advantages would flow from the adoption of the proposed policy? What good purpose would be served by changing the existing NME policy from one whereby the national defense, the people at large and the individual inventor all benefit to one in which everybody would lose?" The Services would lose, and the national defense would be impaired, because the incentive to invent would be discouraged; the general public would lose, because all rights would be vested in the Government which represents only "a dead hand, incapable of turning the invention to account for the public benefit" and the individual inventor would lose, since he would have no commercially exploitable rights.

6. a. This study opened with a statement to the effect that the NME already has a uniform policy in regard to the respective rights of the Government and of its employees in the matter of inventions and it is believed that a careful study of Tab 1 to this inclosure corroborates that statement. However, the manner in which a policy is administered is often of equal importance with the policy itself, and if uniformity is to be achieved the administrative regulations established to effectuate the policy must be uniform. It is, therefore, believed that if Exhibit A is really going to be adopted, the committee which drafted it should also draft uniform and detailed regulations for carrying out the policy.

b. (1) The following is quoted from certain comments by the Chief of the Legal Division, OCSigO (Incl. 4), on the proposed policy:

> "3. The Committee which drafted this policy has in effect adopted the present Signal Corps policy which has been in effect for approximately six years. In the past, the other branches of the Armed Services have followed less strict policies and the lack of uniformity in such policies has created serious problems."

(2) The implication of the foregoing is that the Signal Corps has been following a policy less liberal to inventors than the official Department of the Army policy set forth in AR 850-50, and that, in the opinion of the Chief of the Legal Division, OCSigO the intent of the proposed policy is to modify the present Army policy, making it conform to the more strict one followed by the Signal Corps. It is to be inferred also that, in his opinion, the adoption of Exhibit A as the new NME policy would bring about uniformity. This is, however, a doubtful outcome unless uniform administrative regulations are also adopted, as is implied in Par. 4 of Incl. 3. Let us assume that the Signal Corps policy was made standard throughout the NME.

c. The essential difference between the policy followed by the Signal Corps and that followed by other branches of the Armed Services is connected with two facts: (1) that the Signal Corps apparently applies Par. 9a(1) of AR 850-50 in a more rigid manner than do the other services, by specifically designating laboratory technicians to produce specific things, in which case complete title to any invention arising from such work vests in the Government, and (2) that the Signal Corps has adopted a so-called "Patent Memorandum" which all technical employees of Signal Corps laboratories are required to sign on being assigned to duty therein, although none of the other branches of the Armed Services, with the exception of the Army Security Agency (which inherited the policy from the Signal Corps and is currently considering its recission), uses such an instrument.

d. The significance of the Signal Corps "Patent Memorandum" is that it constitutes a contract modifying the common law relation of servant and master, and therefore in this respect the Signal Corps policy is at variance with at least the spirit, if not the letter, of the official Department of the Army policy set forth in AR 850-50, which requires no such contract.

e. (1) The legality of the Signal Corps "Patent Memorandum" as a contract between employer and employee was recently tested and established by the decision in the Kober case. In handing down the decree requiring Kober to assign to the United States all rights in the two inventions at issue, the District Judge largely relied upon the first paragraph of "Patent Memorandum No. 3" which Kober signed and which reads as follows:

> "You are hereby assigned to develop improvement in arts of value to the Chief Signal Officer. It is expected that this work may result in the discovery of patentable features, and your assignment to this work is for the particular purpose of vesting in the United States all right, title and interest to any invention that you may make while engaged in the work assigned, if in the opinion of the Chief Signal Officer the public interest demands that the invention be owned and controlled by the War Department."

(2) The case was appealed and the following is extracted from the decision of the Court of Appeals, Fourth Circuit, in the Kober case (No. 5786, decided 8 Nov 1948). After citing the general rules and referring to the Dubilier and Houghton cases, the court said:

> "In the case at bar, however, these rules need not be considered except as furnishing background for the agreement of the parties heretofore quoted which deals fully with the matter. <u>The effect of that agreement aside from the provisions for secrecy, is to provide that any invention made by appellant while engaged in the work to which he has been assigned shall belong to the United States</u> (emphasis supplied), if in the opinion of the Chief Signal Officer it is in the public interest that it be owned and controlled by the War Department, otherwise it shall belong to appellant subject to a non-exclusive license on the part of the United States. The determination by General Akin fulfilled the condition of the contract and vested title to the invention in the United States."

And in the next paragraph the court said:

> "Appellant questions the validity of the contract on the ground that it is lacking in statutory foundation. If it were held invalid, this would not help appellant, as the Government would then be entitled to the invention on the ground that appellant had made it while employed for the purpose of conducting investigations and making experiments from which it was anticipated that patentable inventions would result." (Emphasis supplied.)

(3) In neither of the foregoing quotations is the matter of "specificity" or the achievement of "a prescribed result" mentioned but elsewhere in the opinion of the District Court and of the Court of Appeals the question as to whether Kober had been specifically assigned to the development of the devices he invented is mentioned. The district Judge found that he was so assigned and this finding was accepted by the Appellate Court, despite the fact that Kober was originally allowed to apply for patents with assignment of licenses to the Government. But the District Court, in supporting the Government's requirement that Kober assign all rights to the Government, and the Appellate Court, in upholding the decision of the lower court, laid more emphasis on the first paragraph of the "Patent Memorandum" than upon whether or not there was specificity in Kober's assignment to make the specific inventions.

f. It is true that even under the Kober decision Signal Corps inventors who sign the "Patent Memorandum" theoretically still have commercial rights, for until the Chief Signal Officer has made his determination with respect to the public interest, the inventor is, under that decision, entitled to his inventions, subject to a license to the Government, provided there has been no specific designation to invent the specific thing. But if Par. (a)(2) of Exhibit A is adopted as the official NME policy and if the intent of the Committee which drafted Exhibit A is, as stated by the Chief of the Legal Division, OCSigO, to adopt the Signal Corps policy, then it is to be anticipated that soon after its adoption all other branches of the NME might also adopt the Signal Corps more strict implementation of policy as well as the Signal Corps "Patent Memorandum." The result would be the introduction of a wide-spread and very serious modification in the present official NME policy and the effects thereof would fall into two categories, first, those affecting individual NME inventors and second, those affecting national defense and the people as a whole. As to the first category, the inventor's position with respect to commercial rights would certainly be much less favorable than heretofore. For, not only would the specificity necessitated by AR 850-50 before all rights vest in the government be no longer required, but also

the inventor would never know where he stands or whether he has in fact any commercial rights, since there is no time limit set upon the period during which the Chief of the Service concerned can make his determination with respect to the public interest and thus divest the inventor of his commercial rights. Could they not be made after the patent has been issued? Thus a cloud would be placed on the title to any patent obtained under such circumstances. As to the second category, the effects of a less liberal policy than the existing one upon the national defense and upon the whole people have already been discussed and nothing further need be indicated thereon at this point.

7. a. It may well be that, if Par. (a)(2) of Exhibit A is adopted as the official MME policy, no written contract of employment, such as that visualized by the Judge Advocate General in the extract quoted in Par. 3b above, or such as that exemplified in the Signal Corps "Patent Memorandum," may even be necessary to require a complete and irrevocable assignment of all rights to the Government. Two cases will be cited in this connection:

(1) In the case of Goodyear Tire and Rubber Co. v. Miller /22 F. (2d) 353/ the Circuit Court of Appeals ruled that an invention made by an employee hired to make it belongs to the employer, irrespective of whether or not there was a contract to that effect. On this point the Court said:

> "/5/ We are of the opinion, not only that plaintiff is entitled to specific performance of the formal contract of assignment, but, without it, it would still be entitled to substantially the same relief by reason of the implications of the primary contract of employment. It is not a case of one who, being employed for a general service, makes an invention on the side, outside of his line of duty. Defendant was employed exclusively in a department, the function of which was to improve old and discover new processes and devices. Such was the service for which he was paid, and while so employed he was, in the regular course of his employment, assigned to the specific task of developing a device to perform the very function for which the invention in suit is adapted. We can see no distinction between a case where one is originally employed for the limited purpose of solving a specific mechanical problem and another case where he is employed generally to concern himself with such problems and during the course of the employment and within the scope thereof, is assigned to a specific one. In

either case the fruits of his endeavor belong to his employer. This view we think is fully supported by Standard Parts Co. v. Peck, 264, U.S. 52, 44 S. Ct. 239, 68 L. Ed. 560, 32 A.L.R. 1033. See, also, Magnetic Mfg Co. v. Dings Magnetic Separator Co. (C.C.A.) 16 F. (2d) 739; U.S. v. Houghton (D.C.) 20 F. (2d) 434; Wireless Specialty Apparatus Co. v. Mica Condenser Co., 239 Mass. 158, 131 N. E. 307, 16 A.L.R. 1170."

(2) Under the guidance of the decision in the Marshall v. Colgate-Palmolive-Peet Co. case, it appears that an employee who accepts either an oral or a written assignment "to a task having as its object the devising, the improving or the perfecting of methods or means for accomplishing a prescribed result and makes an invention within the scope of the assignment" will be obliged, under Par. (a)(2) of Exhibit A, to assign all rights to the Government. And it would make no difference how long the inventor had been a Government employee or how long he may have enjoyed the benefits of the much more liberal existing policy, for the Court in the case cited also held that "the limitation upon the /general/ rule applies to the relationship or the situation existing at the time of the discovery, and is not concluded by the original contract of hiring."

b. In passing, it is pertinent to point out that the Marshall v. Colgate-Palmolive-Peet Co. case represents a situation which is exactly the reverse of that which is current in the laboratories of the Armed Forces. In the Marshall v. Colgate-Palmolive-Peet Co. case the obligation on the part of employee-inventors to assign all rights to the company was well known by all concerned to be a general practice or rule of long standing; but in the case of employee-inventors in practically all NME laboratories, on the contrary, the general practice of allowing inventors to own the patents and granting only shop rights to the Government has been one of long standing and is well known to all concerned. Thus, the consequence of the adoption of the proposed new policy would be to reverse the general practice or rule that has been followed within the Armed Services, and, if reversed, hardly any cases would occur under which the inventors would have any commercial rights. The decision in the Marshall-Colgate-Palmolive-Peet case would adequately cover the situation. Would this be equitable? This comment may well be concluded by quoting from Tab 2 to this inclosure: "With respect to Government employees, it is to be observed that they ... must be dealt with on the basis of fair dealing in the individual case." There are many employee-inventors in the laboratories of the Armed Services who joined those laboratories in the knowledge that commercial rights to their inventions were usually granted and many of them have enjoyed the financial benefits of these rights. Indeed, the privilege of retaining such rights has served as a material inducement to competent technicians to seek or to continue to hold positions in those laboratories and it has been an implied consideration in the terms of their employment.

8. a. One factor of considerable importance in this whole matter is not covered in Exhibit A: the policy and procedures to be used for security control of Government-employee made inventions in which the Government has only shop rights but which should remain in a classified status for a temporary period. Inventions in this category are of particular interest to several branches of the NME. That this is a problem with many difficult aspects is admitted but it certainly seems discriminatory to allow some employees to retain and to exploit commercial rights in non-classified inventions and to withhold such rights for an indefinite and sometimes lengthy period of time from other employees who also have similar rights but happen to work in a field in which secrecy is required as to their inventions. No government-employee inventor will seriously object to holding an application in a secrecy status for say two to five years. But when the application is held up for much longer, the inequity becomes apparent. For example, the following list covers some of the inventions and pertinent patent applications in which Army Security Agency personnel are assumed to have commercial rights but which, for security reasons, have had to be kept in a classified status:

App. Serial No.	Date of filing	No. of years held in secrecy
682,096	25 July 1933	16
107,244	23 Oct 1936	13
70,412	23 Mar 1936	13
382,561	10 Mar 1941	8
443,320	16 May 1942	7
549,086	8 Nov 1944	5
552,858	6 Sep 1944	5
523,248	21 Feb 1944	5

Moreover, at this writing there is no prospect that any of the foregoing cases can be released within the foreseeable future. What should or can be done in cases such as these? Merely to dismiss the question with a comment that nothing can or should be done and that the situation represents one of the unfortunate penalties of entering upon work in a highly classified field is hardly adequate: in time, as the picture grows more clear, there will simply be fewer able inventors who will choose to work in such fields, much to the detriment of national defense.

b. Perhaps the way in which this matter has been handled in the Atomic Energy Act may serve as a guide as to what should and could be done in other fields where secrecy is a vital element or factor.

c. Exhibit A makes no reference to foreign rights in the case of Government-employee made inventions. Even in those Government agencies in which it is the current practice to assign U.S. rights to the Government, such as the National Bureau of Standards, the inventors retain foreign rights in most cases.

d. It is thought that the Committee that formulated Exhibit A should also give serious study to these aspects of the subject and present a uniform, equitable policy.

9. As is proper and logical, the proposed policy makes no reference to inventions made by employees of private contractors engaged in research and development projects for the Government. But it would seem inequitable for the Government to take all rights in Government employee-made inventions under par. (a)(2) of the proposed policy and not to take similar rights in inventions made by non-Government employees working on Government contracts in commercial laboratories. Both classes of inventions are supported by Government funds and both should therefore be subject to similar rules. But it is abundantly clear that any attempt to force private contractors or their inventor-employees to assign full title to all inventions made in the course of working on Government projects would be rejected and to make such an attempt can only be to the detriment of the Government and of the people of the United States. This phase of the matter is also covered quite adequately in the letter dated 24 September 1945 from the Under Secretary of War to the Department of Justice (See Tab 2 to this inclosure).

10. One final comment on this matter: If it is deemed by high-level NME authorities that the existing official policy as it now stands and as now set forth in AR 850-50 and in Navy G.O. No. 31 is not advantageous in the national defense and to the best interests of the people as a whole, then a clearly indicated decision to change that policy is certainly in order. It is believed that the foregoing analysis is sufficient to show that Exhibit A is no mere "restatement and clarification of policy," as stated in the subject of Incl. 1, but proposes in reality a modification of existing policy that would apply to practically all of the inventions made in NME laboratories. It is also believed that such a modification as that proposed would probably be to the detriment of national defense and of the interests of the people as a whole. It is hoped, therefore, that all the effects of a policy less liberal to NME inventors than is the present official policy will be carefully weighed in advance of its adoption, as those effects may be of greater importance to the nation as a whole than to the individual NME inventors affected thereby.

AR 850-50	Exhibit A	Navy G.O. No. 31
7a. (1st sentence) In case an officer, warrant officer, enlisted man, or civilian employee of the War Department or of the Army is specifically designated or employed to invent a specific thing and does so at the expense of the Government, the title to the invention and to the patent obtained thereon becomes the property of the Government.	(a) The title to the invention and to any patent secured on it vests in the Government when an employee (1) is employed to invent and makes an invention within the scope of the defined employment, or (2) is specifically assigned to a task having as its object the devising, the improving or the perfecting of methods or means for accomplishing a prescribed result and makes an invention within the scope of the assignment.	2(a) The title to the invention and to any patent secured on it by the employee vests in the employer when /1/An employee is directed to make or improve a specific device, means, method, or process, and in the performance of such duty he makes an invention directly bearing upon that particular device, means, method, or process and /2/The complete control of the invention is necessary in order for the employer to realize all the benefits which he anticipated would flow to him by the employment of the employee.
7a (2d sentence) If the invention is made in the course of the general employment of such person on the time or at the expense of the Government but not by direct designation or employment for that purpose, the Government has an implied license to use the invention, but the title thereto and to the patent acquired thereon is the property of the inventor.	(b) The title to the invention and any patent secured on it resides in the employee but subject to a non-exclusive, irrevocable, royalty-free license to the Government when an employee is not employed or assigned as in (a) but (1) makes an invention within the scope of his general employment; or (2) makes an invention outside of the scope of his general employment, but utilizes Government time, facilities, materials, or the services of other Government employees during working hours.	(b) The title to the invention and to any patent secured on it by the employee, including all commercial and foreign rights, resides in the employee, but subject to a license to the employer when — An employee not assigned to duty as in (a) makes an invention and uses the employer's time or facilities or other employees in the development of the invention. In such case the Navy Department requires a nonexclusive, irrevocable, and unlimited right to make and use, and have made for the Government's use, devices embodying the invention, and to sell such devices as provided for by law regarding the sale of public property.

Tab I - Encl 2

AR 850-50

Sb. In any other case where there is no contract or term of employment providing otherwise, such inventor is the sole owner of the invention and of the patent acquired thereon, and no implied license accrues to the United States by reason of the inventor's employment.

Exhibit A

(c) The title to the invention and to any patent secured on it is the property of the employee subject to no right of the Government when an employee makes an invention not within the circumstances defined in (a) and (b).

Navy G.O. No. 31

(c) The title to the invention and to any patents secured on it by the employee is the property of the employee, subject to no right of the employer when — An employee makes an invention not within the circumstances defined in (a) or (b) or concerning which he is not otherwise obligated to the employer.

COPY

SIGLG-6LG 10 May 1949

Proposed Policy Relating to Respective Rights
In Inventions Made by Government Employees

Judge Advocate General
Pentagon Building
Washington, D. C.
ATTENTION: Chief, Patents Division

1. Reference:

Letter dated 2 May 1949, from your Office to this Office, Subject: "Restatement and Clarification of the Policy Relating to Government Employee made Inventions."

2. The Signal Corps is of the opinion that the establishment of a uniform policy within the Armed Services as to the respective rights of the Government and its employees in inventions made by its employees is highly advisable. (As a later step, a uniform policy of this kind should be established on a Government-wide basis.) In general, the policy set forth in the above-identified reference appears to be a desirable one. The majority of the comments made below have as their purpose the clarification of the policy so that uniformity in its application to specific cases may be insured to the greatest degree possible. The paragraph designations to which the comments apply are those used in "Exhibit A" attached to the reference mentioned above.

3. a. Par. (a).

In line 2, after "employee", there should be added the words "(Whether civilian or military)".

b. Par. (a) (1).

The term "defined employment" should be replaced by some more explicit definition, e.g., "field in which, at the time of making the invention, he could reasonably be expected to make improvements".

c. Par. (a) (2).

In line 1, "specifically" should be canceled. There would be less difficulty in interpreting and applying the policy if this word were omitted.

d. Par. (a).

To insure that the policy will be applied equitably to the several levels of employees, the following should be added to this paragraph:

"or,

(3) in the case of an employee who is a supervisor or technical consultant, vests in the Government (in addition to so vesting under the circumstances of (a) (1) and (a) (2)) when the invention, if it had been made by any subordinate of such supervisor or by any employee (hereafter called the consulter) of any group which the consultant serves, would come within the scope of the field or assignment, as defined in (a) (1) and (a) (2), respectively, of any such subordinate or consulter."

e. Pars. (b) (1) and (b) (2).

The term "general employment" requires definition to insure uniformity of policy. Some such definition as "field of work" should be used.

f. Par. (b) (2)

After "but", in line 2, there should be added ", in conceiving, developing or perfecting his invention,". As it is now, the things the inventor utilizes are not in any way tied up with the invention.

4. It is recommended that, in the interest of having a uniform policy on this subject, this policy when issued be followed by supplementary instructions as to sources of information which should be consulted in determining the circumstances under which an invention is made. This is especially important as to Pars. (a) (1) and (b) (1) of the policy.

FOR THE CHIEF SIGNAL OFFICER:

JOHN E. PERNICE
Chief, Legal Division

DEPARTMENT OF THE ARMY

SIGLG-6-LG
Engr. & Tech. Div.

Respective Rights of Inventions Made by Government Employees
Chief, Legal Division

5 May 1949

72415

1. Inclosed is a copy of a proposed policy for the Armed Services concerning the respective rights of the Government and its employees in inventions of such employees. This policy was formulated by representatives of the Navy, Air Force, and Judge Advocate General of the Army.

2. The Office of the Judge Advocate General has advised this Division that it is contemplated that this "policy will be issued in the form of directive or amendment to pertinent existing regulations" and has requested that such comments as the Signal Corps desires to make be supplied to that Office not later than 10 May 1949.

3. The Committee which drafted this policy has in effect adopted the present Signal Corps policy which has been in effect for approximately six years. In the past, the other branches of the Armed Services have followed less strict policies and the lack of uniformity in such policies has created serious problems.

4. In general, this Division considers the proposed policy satisfactory. However, this Division suggests that you consider the question as to whether the policy should not more clearly state what was undoubtedly intended, namely, that it applies to both military and civilian employees. This Division intends to recommend that the policy cover more adequately the question of the rights which the Government gets in inventions made by employees who are supervisors or technical consultants. As to the latter point, it is considered that paragraph (a) of the inclosure should have added to it the following statement:

"or,
(3) in the case of an employee who is a supervisor or technical consultant, (in addition to the vesting of title in the Government under the circumstances set forth in (a)(1) and (a)(2)) also when the invention, if it were made by any subordinate of such supervisor or by any employee (hereafter called the consulter) of any of the groups which such consultant serves, would come within the scope of

a. the defined employment of any such subordinate or consulter employed to invent, or

b. the assignment of any such subordinate or consulter specifically assigned to a task defined as in (a)(2)."

COPY

COPY

5. In order that this Division may be able to furnish the comments of the Signal Corps to the Office of the Judge Advocate General by 10 May 1949, it is requested that this Division be advised by 1100 on 9 May 1949 as to whether your Division has any comments on the proposed policy.

6. It is suggested that the Signal Corps Engineering Laboratories also be consulted, by your Division, as to their views on this subject. The Signal Patent Agency has been given a copy of the Inclosure and has also been advised of the proposed additions referred to in Par. 4 above, so that the Laboratories may obtain this specific information locally, if you prefer that they do so.

JOHN E. PERNICE
Chief, Legal Division

1 Incl.
Proposed Armed Services
policy (in trip)

COPY