

January 9, 2019

Technology Partnerships Office  
National Institute of Standards and Technology  
100 Bureau Drive MS 2201  
Gaithersburg, MD 20899

**RE: NIST Green Paper Discussion Draft**

To Whom It May Concern:

Eagle Forum Education and Legal Defense Fund (“Eagle Forum ELDF”), a nonprofit organization founded by Phyllis Schlafly<sup>1</sup> in 1981, is pleased to provide comments on the draft Green Paper of the Return on Investment Initiative for Unleashing American Innovation.<sup>2</sup> Eagle Forum ELDF appreciated the opportunity to give input through the Request for Information (RFI) last summer and now to respond to the effort to digest and incorporate the feedback from that RFI.<sup>3</sup>

We commend the National Institute of Standards and Technology (NIST) on this Green Paper. This includes its assessment of the issues that have kept federal agency and research laboratory technology transfer from performing as well as it should, the five main strategies for improving federal agency and laboratory performance in transferring technology for practical use, and most of the intended actions for implementing these strategies. Concerns early in this initiative surrounded whether the initiative might end up too modest, too extensive, or miss the target (e.g., misplace focus on amending the well-functioning Bayh-Dole Act instead of making adjustments to the Stevenson-Wydler Act and the Federal Technology Transfer Act, which more directly address federal government technology transfer). However, the Green Paper’s proposals, in general, place the focus

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<sup>1</sup> Phyllis Schlafly was an outspoken advocate of the rights of inventors, emphasizing the importance of these traditional rights to our national prosperity and security. She wrote often about this topic. A compilation of her writings on this topic is *Phyllis Schlafly Speaks, Patents & Invention*. Skellig America, 2018 (Ed Martin, Editor).

<sup>2</sup> National Institute of Standards and Technology Special Publication 1234 (December 2018).

<sup>3</sup> 83 FR 19052. Request for Information Regarding Federal Technology Transfer Authorities and Processes, May 1, 2018.

where it belongs, offer reasonable and measured intended actions, and largely avoid missteps. Yet, we do have a major concern with a recommendation we fear goes astray.

Importantly, the document affirms “the critical importance of private rights in innovation as an enduring, foundational principle” and reflects appropriate respect for what we called the “first principles” that underlie every attempt to turn an invention into something that is commercially viable, whether through tech transfer or otherwise. Effective technology transfer, notably as seen in the long, successful track record of the Bayh-Dole Act, relies on exclusive, enforceable, private property rights.

Further, the Green Paper recognizes the “intimate connection between a competitive economy and national security,” which Eagle Forum ELDF has long emphasized, sometimes as a voice in the wilderness. Thus, we applaud the overarching goals of this initiative. This includes transferring IP-based technology derived from federal research funding to U.S. entities in the private sector willing to pursue those inventions’ commercialization so as to gain for society the practical benefits of such discoveries, and thereby contribute to the flourishing of the U.S. industrial base and jobs and our economy. This promotes the welfare and innovation leadership of the United States, such that Americans might continue to have national security, liberty, and independence.

Eagle Forum ELDF commends NIST for reflecting most of our recommendations from the RFI among many of the Green Paper’s specific proposals. They would promote strong IP rights for private-sector commercialization, increase accountability for federal technology transfer, align incentives for improving agency tech transfer, and enable federal inventors and tech transfer officers greater entrepreneurial opportunities. We now offer comments on several specifics in the Green Paper. These include patent reforms, government use license, march-in rights, and preference for U.S. manufacturing.

### **“What We Heard: America Invents Act”**

Eagle Forum ELDF echoes grave concern over the problems NIST heard from RFI respondents regarding adverse changes to the U.S. patent system effected by the so-called “America Invents Act” and many

judicial rulings, particularly by the U.S. Supreme Court. These have injected tremendous uncertainty and harm to patent owners with respect to patent-eligible subject matter, the grace period, the Patent Trial and Appeal Board and patent validity, loss of injunctive relief, open-ended opportunity to challenge patents, and the inability to secure damages against fraudulent or abusive challengers of patents (the integrity loophole). Each of these problems demand correcting, if the basis of technology transfer — secure, private intellectual property rights — is to achieve the goals NIST has set forth through this initiative.

These injurious measures require legislation to correct the problems arising from the AIA and the courts. The bipartisan STRONGER Patents Act, sponsored by Sens. Chris Coons (D-DE) and Tom Cotton (R-AR) and by Reps. Steve Stivers (R-OH) and Bill Foster (D-IL), and the bipartisan Restoring America’s Leadership in Innovation Act, sponsored by Reps. Thomas Massie (R-KY) and Marcy Kaptur (D-OH), together would address most of the problems summarized in the Green Paper.

### **Government Use License**

Clarifying, by regulations under the Bayh-Dole Act and the Stevenson-Wydler Act, the narrow scope of the government license to use transferred technology would strengthen the IP rights of those entities seeking to commercialize an invention. The government use license provisions would thereby be precluded from possibly serving as a back door to exactly the kind of encroachment on exclusivity these statutes intend to secure for patent owners and licensees of federally funded research discoveries. The regulations would clarify that government use license is only for government use of inventions it funds, not a short-cut for putting goods and services in commerce — undermining the ability to commercialize the technology through secure IP rights.

### **March-In Rights**

Regulatory clarification under Bayh-Dole of the statute’s march-in rights is badly needed, given the uncertainties injected by creative activists seeking to force change in the application of this emergency-only measure for extra-statutory purpose. Defining when march-in is appropriate, pursuant to statute, and clarifying the meaning of “reasonable terms” and “practical application” so as to definitively

exclude price of goods and services — that is, to codify the original intent of the law’s authors, as stated by Sens. Birch Bayh and Bob Dole — would safeguard the ability of commercializers to rely on the IP exclusivity that is critical to achieving commercial success and ensuring that private investors will continue to assume the risk involved in bringing an invention to market. March-in must never be twisted into a means of enacting price controls.

### **Preference for U.S. Manufacturing**

We applaud the intended action to “Protect and strengthen the statutory requirement that products embodying or using federally funded inventions be manufactured substantially in the United States.” The Bayh-Dole Act appropriately includes the requirement of domestic manufacture of transferred technology through exclusive licenses. This requirement bolsters the maintenance and expansion of a robust U.S. industrial base. We do not object to clarifying the statutory term “manufactured substantially in the United States.”

We support streamlining the waiver process into a simple, uniform process applied across agencies, and we urge NIST to require agencies to respond to waiver requests expeditiously. But extending this waiver requirement to nonexclusive licensees and to contractors is problematic. The Bayh-Dole Act gives no statutory authority for applying this requirement to nonexclusive licenses. Requiring waivers for nonexclusive licenses adds another layer of complexity, and thus is a barrier to seeking such a license, where no problem appears to exist. After all, no U.S. manufacturer is blocked from making the transferred technology that is licensed nonexclusively. And adding a waiver requirement for nonexclusive licenses would seem counterproductive to the goal of streamlining in a business-friendly manner.

Further, Eagle Forum ELDF observes that waiving this statutory condition for exclusive licenses should be the exception, rather than the rule. The preference for U.S. manufacturing of transferred technology yields for the American public a fuller, more important benefit from taxpayer-funded research and development. This Bayh-Dole provision promotes the economic concept of a “virtuous circle,” with Americans first working at good-paying industrial jobs where they produce things

and empowered to spend some of their paychecks on the products that come from commercialized tech transfer efforts. The more incentives for companies to build production facilities in the United States, the more our industrial base grows, and the more supply chains are adjusted to use truly American manufacturers and produce truly American-made products. At the same time, Bayh-Dole is intended to move taxpayer-funded discoveries from concept to commercial use, which justifies a simple, consistent waiver when necessary.

Further, we reiterate the connection of economic competitiveness to our national security. The daily news reports of Chinese expropriation of U.S. IP, forced tech transfer and joint ventures in China, Chinese theft and espionage schemes that result in stolen sensitive U.S. information and Chinese agents proliferating throughout the United States demonstrate how true this is — and how serious the Chinese are about winning this competition for technological dominance. We appreciate the following from page 35 of the Green Paper:

The September 2018 Department of Defense report to the President “Assessing and Strengthening the Manufacturing and Defense Industrial Base and Supply Chain Resiliency of the United States” in response to Executive Order 13806 makes the case for protecting American manufacturing. This report notes that it is imperative to maintain domestic manufacturing capability to meet more than current production needs with the conclusion that: “Above all, America’s manufacturing and defense industrial base must support economic prosperity, be globally competitive, and have the capabilities and capacity to rapidly innovate and arm our military with the lethality and dominance necessary to prevail in any conflict.”

### **Improved Partnership Mechanisms**

Proposals for streamlining across agencies, through user-friendly, “speed-of-business-based” best practices for federal agency tech transfer processes and procedures, and enabling partnerships for translational R&D, technology maturation, and commercialization in existing partnership mechanisms (e.g., SBIR, CRADA) are generally consistent with what we had in mind in our RFI comments. Bringing

consistency across the government for handover of intellectual property rights to collaborators, indemnification terms, and addressing the discrepancy in CRADA partnerships should improve the attractiveness for businesses to pursue technology transfer or licensing with federal agencies. At the same time, regulations to align federal tech transfer with Bayh-Dole standards may advance the goals, but a regulatory “one-size-fits-all” regime would jeopardize the appropriate flexibility needed to accommodate various technologies and licensing structures. The consistent licensing policies and practices of the federal government should constrain agencies from continuing to fail to be responsive, expeditious, and efficient in doing partnership deals and prioritizing tech transfer. It should not turn into more red tape that blocks private-sector interest.

The Green Paper proposals aim to improve business-customer friendliness that has been lacking in many federal labs and research agencies. We want reforms that promote the flourishing of innovation ecosystems across the nation, particularly where research institutions, federal laboratories, other federal and military facilities, and advanced manufacturing and advanced materials resources and businesses are located. The availability of a range of partnering vehicles, such as CRADAs, and SBIRs/STTRs, coupled with the use of a portion of R&D funding to secure IP protection, would help more IP-centered startups to gain traction and more early-stage firms to become going concerns faster. The key would be accountability of government actors with the existing mechanisms. This seems to be missing.

We are concerned about Intended Action 8, where it mischaracterizes royalties as promoting compliance with license terms. Royalties actually are payment for the license to use the technology. Thus, we urge dropping 8(E). First, Bayh-Dole regulation should not be issued in order to distort and harmfully change the understanding of royalties. Second, each technology, license, and licensee faces specific circumstances that affect the pace of commercialization and progress in achieving milestones. The beauty of Bayh-Dole, as is widely recognized, is its putting incentives such as royalties in the right place, where these payments reward inventors and researchers and fund additional research.

A major concern arises from Intended Action 9, which as proposed would undermine Bayh-Dole's effectiveness where it is working in universities and private contractor entities, while empowering each agency to end-run Bayh-Dole. The proposed 9(B) strikes us as counterproductive to the purpose of the ROI Initiative — bringing federal agency and lab tech transfer up to snuff with academic tech transfer. The proposed Research Transaction Authority (RTA) would effectively expand Other Transaction Authority (OTA) to virtually the entire government, as footnote 152 states. OTA is not compliant with Bayh-Dole, and by virtue of this being the model, similar concerns arise about the proposed RTA mechanism. OTA enables and thus encourages agencies with this authority to pursue their own end-runs to Bayh-Dole, including denying private-sector contractors the rights Bayh-Dole provides them. OTA already puts and RTA would put IP exclusivity for licensees and contractors at high risk, spreading uncertainty of being able to enjoy the fruits of their commercialization efforts and investments. They also undermine the fundamental goal of Bayh-Dole: establishing a uniform patent policy across all federal agencies. This proposal could end up being so harmful that it erases the beneficial effects of limiting march-in rights through the definition proposed in Intended Action 2. We strongly urge that Intended Action 9(B) be eliminated.

### **Federal Workforce Entrepreneurship Opportunities**

Extending opportunities for federal R&D agency employees to gain training in entrepreneurship, modeled on programs such as I-Corps, and harmonizing a means for managing conflicts of interest patterned on successful university faculty models would give them a better appreciation for and insight into the mindset of the potential collaborators sitting across the desk seeking a tech transfer deal. Providing a job track for tech transfer for those who might enter from the private sector would bring in-house a perspective that would enhance federal tech transfer. At the same time, leadership within federal labs and agencies across the government must come to regard technology transfer as core to their agency's mission. We agree with the comment on page 78 of the Green Paper: "Commercialization performance at Federal Laboratories will continue to lag universities until laboratory leaders are

directed, funded, and incentivized to place greater emphasis on commercialization outcomes, including through accountability to meaningful metrics.” Meaningful metrics tied to meaningful commercialization outcomes and further tied to performance reviews and ratings of both leadership and rank-and-file federal employees should be added to the several intended actions in this section.

### **Federal Innovation Asset Tools**

Proposals to improve access to federal R&D assets, IP, etc., by upgrading federal R&D data reporting systems and reporting standards should be expected to facilitate better knowledge of and transfer of technology assets. Integrating standards and outcome-based metrics into assessing the performance of federal workers, much like the suggestion above for tech transfer results, seems necessary in order to affect behavior by federal employees in this regard. In addition, the proposals addressing the customer-facing portal for making cross-government R&D asset and IP information consistent, user-friendly, up-to-date, and user-friendly would provide a tremendous service, empowering the American public with information about potential intellectual assets for commercialization and thereby enabling many more tech transfer inquiries. At the same time, we echo and share concerns about the necessity of securing proprietary information and not disclosing confidential information about an invention during patent prosecution.

### **R&D Metrics**

We agree that establishing appropriate metrics is important to gauging the tangible improvement of federal agency and lab technology transfer, as well as the return on investment to the taxpayer. We applaud that the Green Paper recommendation places R&D outcomes and R&D impacts above operational metrics. Too often, government overemphasizes process metrics and near-neglects the results achieved. Efficiency, timeliness, customer-service, and similar metrics are important, particularly so with a government function such as technology transfer, where the customer is typically a business (often a startup or early stage company) with constraints and demands and timeframes much less forgiving than the typical pace of government. Still, in measuring the ROI to the nation and its taxpayers, the outcomes and impact of R&D



count more to taxpayers, who should be able to expect their government to track how much intellectual property, startups, R&D partnerships, etc., their research dollars lead to. Even more important is R&D investment impact — new companies in business after 5 or 10 years, jobs created, commercial products or standard-setting technologies on the market, and the benefits to national security and industrial competitiveness for the United States. In terms of tracking global trends and competitiveness, apples-to-apples comparisons with the same kinds of impact metrics for other countries should be considered.

### **The Missing Ingredient: Oversight and Accountability**

The one ingredient we would suggest adding is to establish high-level technology transfer oversight and accountability. The Reagan Administration successfully supervised the implementation of the landmark 1980s technology transfer laws by establishing a high-level office in the Department of Commerce that worked in close coordination with the White House. Much of the success of Bayh-Dole and Stevenson-Wydler owes to implementation subject to close oversight and an overseer with the clout to hold other federal departments, agencies, and laboratories accountable for technology transfer congruent with the statutory requirements. The office stopped a number of international agreements that threatened to give away rights to taxpayer-funded R&D. As good as the recommendations in the Green Paper are, they are unlikely to achieve all that they ought absent high-level oversight and the power to hold the rest of the government accountable for living up to the statutory standard of technology transfer being a priority of every entity of the federal government. NIST could fill this role. It would take the willingness to monitor and hold accountable other agencies and departments of the government when they stray from the statutory constraints of Bayh-Dole and Stevenson-Wydler.

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Eagle Forum Education and Legal Defense Fund appreciates the opportunity to provide feedback on the NIST Green Paper. We commend NIST for proposals intended to improve practical returns on federal research, for streamlining the processes to transfer technology from federal research facilities in a business-friendly and IP-respectful

manner, and for realizing America's potential economic and national security benefits. We support this initiative, with the few exceptions discussed above.

Respectfully submitted,

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Attachment: "Benefiting from Federal Research Funding: Technology Transfer, the Bayh-Dole Act, Patent Rights, and Society," proceedings of a briefing sponsored by Eagle Forum ELDF, Oct. 18, 2018.