PROFESSIONAL RELATIONS BULLETIN

Division of Professional Relations
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DENNIS CHAMOT, *Editor*

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FROM THE EDITOR . . .

Officers

The members of the DPR Executive Committee who were elected in the last election are:

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Patent Law

Members of this Division have been interested in the issue of compensation for employed inventors for quite some time. For several years a bill was introduced in the House of Representatives by Rep. John Moss of California. The "Moss Bill", as it was invariably referred to, was based on a West German law that has been in effect for more than a quarter of a century.

The Moss bill went through several minor modifications over the years, but it never got anywhere, and eventually Rep. Moss retired. In the last Congress, primarily as a result of interest by the AFL-CIO, Rep. Kastenmeier of Wisconsin introduced a comprehensive bill, along with a much more limited bill supported by the IEEE (the latter does nothing more than outlaw some of the worst abuses of pre-assignment agreements).

Hearings were held last year on both bills, a major step forward in the history of this kind of legislation, but no further action was taken. A new Congress is in session now, and Rep. Kastenmeier has reintroduced both bills. Reprinted in this issue of the Bulletin is the complete text of H.R. 3285, the "Kastenmeier Bill". As of this writing, similar legislation has not been introduced in the Senate, but that is a real possibility.

H.R. 3285 is a comprehensive approach to the many issues involved. It deals with questions of ownership, establishing two kinds of inventions, free inventions and service inventions, where only the latter may be claimed by the employer. It also establishes that employees have a right to extra compensation when their employers claim their service inventions.

If you would like to comment on this bill, you can send a letter to:

Rep. Robert W. Kastenmeier,
Chairman
Subcommittee on Courts, Civil Liberties, and the Administration of Justice
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

If similar legislation is worked on in the Senate, it would be in Sen. Mathias's subcommittee. Comments to him expressing an interest in this kind of bill could be very useful:

Sen. Charles M. Mathias, Chairman
Subcommittee on Patents,
Copyrights and Trademarks
U.S. Senate
Washington, D.C. 20510

While it should not matter much at this stage, you might note that Rep. Kastenmeier is a Democrat, and Sen. Mathias (of Maryland) is a Republican.

National Meeting

Many of you may receive this after the Washington meeting, but this is being written earlier. The Division will, as usual, present various activities (see C&EN and the meeting program for all the details). I am particularly interested in one fascinating symposium, dealing with the development of science policy in Washington (especially as I chair it!). Science policy in this case means much more than just financial support of scientific research, but also the development of policy in areas with a large science content. Speakers include representatives from Congressional committee staff, the White House Office of Science and Technology Policy, the National Research Council, and others. If all goes well, we will try to publish exerpts in the next issue of the Bulletin, but if this reaches you in time, plan to come and participate.

—Dennis Chamot

98TH CONGRESS 1ST SESSION
H.R. 3285

IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 1983

Mr. Kastenmeier introduced the following bill; which was referred to the Committee on the Judiciary

A bill to create a comprehensive Federal system for determining the ownership of and amount of compensation to be paid for inventions made by employed persons.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. Title 35, United States Code, is amended by adding at the end thereof the following new part:

"PART V — EMPLOYEE INVENTIONS

"CHAPTER 40 — DEFINITIONS AND SCOPE OF APPLICATION

"§ 401. Scope of application

"This part applies to all inventions made by —

"(1) employees of private persons or organizations,

"(2) military personnel and employees of Federal, State, territorial, and local governments, and

"(3) other persons who consent by contract to be treated as employees under this part for the purpose of determining the compensation to be paid for their inventions,

except that nothing in this part shall apply to an invention made by an employee which is subject to an agreement between the employee and his or her employer to the effect that the invention shall be a free invention which is the exclusive property of the employee and with respect to which the employer has no rights.

"§ 402. Defintions

"As used in this part, the term —

"(1) 'employee' means any person who, under the usual common law rules applicable in determing the employer-employee relationship, has the status of an employee; and any member of the military;

"(2) 'invention' means an invention which is patentable under chapter 10 of this title;

"(3) 'service invention' means an invention made by an employee at any time during his period of employment which either —

"(A) has grown out of the type of work performed by the employee for his or her employer, or

"(B) is derived from experiences gained on the job related to operations carried out by the employer; and

"(4) 'free invention' means any invention made by an employee which is not a service invention.

"CHAPTER 41 — SERVICE INVENTIONS

"§ 411. Duty of giving notice

"(a) An employee who has made a service invention shall give written notice of the service invention to his or her employer without undue delay. If several employees shared in making the service invention, they may give notice either independently or jointly to the employer. Upon receipt of the employee's notice, the employer shall without undue delay provide the employee with a written statement of the exact time when the notice was received.

"(b) The employee's notice shall conspicuously indicate that it relates to an invention and shall contain a complete description of the invention in the manner prescribed by the Commissioner.

"(c) An employee's notice which does not conform to the requirements of subsection (b) shall nevertheless be deemed complete if the employer does not advise the employee in writing, within two months after receipt of the employee's notice, in what respects the notice is incomplete.

"§ 412. Claiming the invention

"(a) An employer may claim exclusive rights in and to an employee's service invention by giving a written declaration of his claim to the employee within such time as the Commissioner may prescribe after the employer has received a complete notice of the service invention from the employee in conformity with section 411.

"(b) Upon receipt by an employee of a declaration under subsection (a) of the employer's claim to the employee's service invention, the employee shall assign all rights to the service invention to the employer in writing, subject to the employee's right under section 414 to receive adequate compensation for the invention.

"(c) Any disposition of a service invention by an employee, before a declaration is given under subsection (a) of a claim by his or her employer, which would impair the employer's right under this section is invalid to the extent that it impairs such rights.

"§ 413. Service inventions which become free inventions

"(a) A service invention becomes a free invention —

"(1) when the employer releases it in writing;

"(2) when the employer fails to act to acquire rights under this part after receiving the employee's complete notice in conformity with section 411; or

"(3) when the employer, after claiming exclusive rights therein, does not comply with his obligation under section 421(a) to apply for a patent on the service invention.

"(b) A service invention which becomes a free invention under this section is not subject to the provisions of section 431.

"§ 414. Compensation for service inventions

"(a) An employee is entitled to adequate compensation for his service invention. Such compensation shall represent the fair market value of the employer's exclusive right to the invention adjusted to reflect (1) the position and duties of the employee and (2) the degree to which the operations of the employer contributed to the making of the invention.

"(b)(1) The kind and amount of compensation to be paid for a service invention shall be determined by agreement between the employer and the employee entered into a reasonable time before issuance of the patent on the service invention.

"(2) If agreement is not reached within such reasonable period of time, the matter shall be placed before the Arbitration Board.

"(c) When more than one employee contributed to making a service invention, the compensation required by subsection (a) shall be determined by agreement entered into by the employer separately with each such employee. The determination of compensation to be paid to any employee under this section does not bind any other employee who contributed to making the same service invention if that other employee objects to the determination of his or her compensation under this section.

"(d) When there has been a substantial change in the circumstances upon which the determination of compensation was based, the employer or employee may demand under rules established by the Commissioner that a new determination of the compensation be made, but the employee shall in no case be obligated to return compensation which he or she has received.

"CHAPTER 42 — PATENT ON SERVICE INVENTIONS

"§ 421. Patent application

"a) Following an employer's claim to exclusive rights in and to a service invention under section 412(a), the employer shall diligently apply, in the name of the inventor, for a patent on the service invention unless —

"(1) the service invention has become a free invention under section 413(a) (1) or (2); or

"(2) section 425(a) applies.

When an employer does not comply with his obligation to apply for a patent on such a service invention, the invention becomes a free invention.

"(b) In the event a patent application or patent exists on a service invention that becomes a free invention, ownership to that application or patent shall vest in the employee.

"§ 422. Patent application abroad

"The employer may apply for patents on a service invention with respect to which he has made a claim to exclusive rights in such foreign countries as he desires and shall release the service invention in favor of the employee in all other foreign countries. The employer's release shall be timely to permit the employee to comply with the priority provisions of applicable treaties which accord patent rights on the basis of applications for patents in the home country.

"§ 423. Obligations of employer and employee when acquiring patents

"(a) When an employer applies for a patent on a service invention, the employer shall, at the time of such application, provide a copy of the application documents to the employee who made the service invention, and shall keep the employee informed concerning the proceedings and permit the employee to examine all Patent Office correspondence in connection with the application.

"(b) At the employer's request, the employee who made a service invention to which the employer has claimed exclusive rights, shall assist the employer in the acquisition of a patent with respect to the invention and shall make such statements as may be necessary to document the employer's application.

"§ 424. Abandonment of patent application or patent

"When, prior to satisfying an employee's claim for adequate compensation with respect to exclusive rights in and to a service invention, the employer intends to abandon the patent application or to permit the lapse of a patent already granted, the employer shall, in sufficient time to enable the employee to prevent such abandonment or lapse, notify the employee in writing and assign the rights to the invention to the employee, if the employee so requests. The employer shall make available to the employee all documents necessary to preserve the rights in the invention.

"§ 425. Trade secrets

"(a) When legitimate interests of the employer make it necessary to prevent a service invention, with respect to which notice has been given and with respect to which a claim to exclusive rights has been made, from being publicly known, the employer need not apply for a patent on the invention if the employer makes a written declaration to the employee to the effect that the employer recognizes the patentability of the invention. If the employer does not recognize the patentability of the invention, the employer need not apply for a patent if the employer applies to the Arbitration Board.

"(b) In determining the compensation to be paid for exclusive rights in and to an invention with respect to which the employer need not apply for a patent under subsection (a), account shall be taken of the economic disadvantage to the employee because of the fact that no protective right has been granted.

"CHAPTER 43 — GENERAL PROVISIONS

"§ 431. Free inventions; notice

"An employee who has made a free invention during the period of his or her employment shall promptly give written notice of the invention to his or her employer containing such information as may be necessary to enable the employer to determine whether or not the invention is a free invention. Unless, within three months after receiving such notice from the employee, the employer makes a written declaration to the employee contesting that such invention is a free invention, the employer may not claim the invention as a service invention.

"§ 432. Exclusion of change by agreement

"The applicability of the provisions of this part may not be avoided by agreement to the detriment of the employee.

"§ 433. Secrecy

"(a) An employer may not publicly disclose any employee's invention with respect to which the employer has received notice as a free invention except with the consent of the employee.

"(b) Except as otherwise provided by this part, an employee may not disclose any service invention with respect to which a claim to exclusive rights can be or has been made and which has not become a free invention.

"§ 434. Employer-employee relationship

"The rights and duties of an employer

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and his or her employee under this part are not affected by the termination of the employment relationship.

"§ 435. Arbitration

"(a) There shall be an Arbitration Board (hereinafter in this section referred to as the 'Board') in the Patent Office which shall arbitrate any dispute relating to this part which is referred to the Board by an employer or employee. The Board shall be composed of a chairman and two associates appointed by the Commissioner.

"(b) An employer or employee may petition the Board to settle a dispute by filing with the Board a petition containing a brief description of the circumstances of the case and the name and address of the other party. The Board shall send a copy of the petition to the other party with a request that such party express that party's opinion in writing with respect to the petition within a designated period of time.

"(c) Except as otherwise provided in this section, proceedings befor the Board shall be conducted according to such rules and regulations as the Commissioner may determine.

"(d)(1) When the Board has reached a decision by majority vote, it shall serve on the parties a copy of the decision together with the reasons therefor. Such decision shall, subject to section 436, be binding on all parties.

"(e) No fees or costs shall be charged against any party to proceedings before the Board.

"(f) In any proceeding before the Board to enforce the provisions of this part, the Board, in its direction, may allow the prevailing party other than the United States a reasonable attorney's fee, which may be collected in a civil action instituted by such prevailing party.

"§ 436. Judicial review of Arbitration Board determination

"A party dissatisfied with the decision of the Arbitration Board may obtain appropriate relief in a civil action against the Commissioner if such action is commenced within such time after the proposal, but not less than sixty days, as the Commissioner specifies.

"§ 437. Secretary of Labor; guidelines

"After affording all interested persons the opportunity to make their views known, the Secretary of Labor shall issue guidelines under sections 414 and 425 of this title providing specific rules for the determination of the compensation to be paid for exclusive rights in service inventions, and trade secrets. These guidelines shall be published for the guidance of employers and employees, the Arbitration Board, and the courts.

"§ 438. Prohibition of discrimination against employees

"(a) No person shall discharge or in any other manner discriminate against any employee because such employee has filed any complaint or instituted or caused to be instituted any proceedings under or related to this part or has testified or is about to testify in any such proceedings or because of the exercise by such employee on behalf of the employee or others of any right afforded by this part.

"(b) Any employee who believes that he or she has been discharged or otherwise discriminated against by any person in violation of this section may, within thirty days after such violation occurs, file a complaint with the Secretary of Labor alleging such discrimination. Upon receipt of such complaint, the Secretary shall cause such investigation to be made as the Secretary deems appropriate. If, upon such investigation, the Secretary determines that the provisions of this section have been violated, the Secretary shall bring a civil action in any appropriate United States district court against the appropriate person. In any such action the United States district courts shall have jurisdiction, for cause shown, to restrain violations of subsection(a) of this section and order all appropriate relief, including rehiring or reinstatement of the employee to his or her former position with back pay.

"(c) Within ninety days after the receipt of a complaint filed under this section, the Secretary of Labor shall notify the complainant of the Secretary's determination under subsection(b) of this section.

"§ 439. Civil action

"(a) In any case not in arbitration and with respect to which no final arbitration order has been made under this part, an employer or employee may recover appropriate relief in a civil action to enforce any applicable provisions of this part.

"(b) In any civil action to enforce the provisions of this part, the court, in its discretion, may allow the prevailing party other than the United States a reasonable attorney's fee as part of the cost.".

SEC. 2. Section 1338 of title 28, United States Code, is amended by adding at the end thereof the following:

"(c) The district courts shall have original jurisdiction exclusive of the courts of the States, of any civil action arising under part V of title 35, relating to inventions.".

SEC. 3. The amendments made by this Act shall apply to any invention made on or after one hundred and eighty days after the date of the enactment of this Act.