



## **COMMENTS OF THE ELECTRONIC FRONTIER FOUNDATION REGARDING RIGHTS TO FEDERALLY FUNDED INVENTIONS AND LICENSING OF GOVERNMENT OWNED INVENTIONS**

**Docket No.: 160311229-6229-01**

The Electronic Frontier Foundation (“EFF”) is grateful for this opportunity to respond to the request by the National Institute of Standards and Technology (“NIST”) for comments regarding its proposed rulemaking relating to Rights to Federally Funded Inventions and Licensing of Government Owned Inventions.

EFF is a non-profit civil liberties organization that has worked for more than 25 years to protect consumer interests, innovation, and free expression in the digital world. Founded in 1990, EFF represents more than 28,000 contributing members. EFF and its members have a strong interest in promoting balanced intellectual property policy that serves both public and private interests. Through litigation, the legislative process, and administrative advocacy, EFF seeks to promote a patent system that facilitates, and does not impede, “the Progress of Science and useful Arts.”

### **I. EFF’s Comments Regarding Accelerating the Transfer of Technology to Entrepreneurs and Strengthening the Innovation System**

Our comments are in response to the first question in the Notice: “Are there any changes to these regulations, consistent with current law, that you or your organization think would accelerate the transfer of federally funded research and technology to entrepreneurs, or otherwise strengthen the Nation’s innovation system?”

We recommend that NIST and the Secretary of Commerce explore ways to address the risks that come with universities and other contractors licensing patents covered under 37 CFR to non-practicing entities (NPEs, also known as patent assertion entities or patent trolls).

Our opinion is that NPEs are usually poorly equipped to fulfill the Bayh-Dole Act’s charge to promote active utilization of inventions that arise from federally funded research, particularly among small businesses. *See* 35 U.S.C. 200; *see also* 35 U.S.C. § 209.

Many NPEs invest nothing in the development of the inventions in their portfolios; instead, their business models rely on demanding licensing fees from companies that arrived independently at similar inventions, often under threat of lawsuit. When a contractor licenses a patent on an invention that arose from federally funded research to an NPE with such a business model, that patent risks becoming a burden on innovation rather than a catalyst for it—such licenses bring a real danger of undermining progress in the very field the granting agency was trying to grow.

EFF is not alone in pointing out the danger of universities licensing patents to NPEs. Over 100 institutions have endorsed a set of principles for technology transfer called “Nine Points to Consider.” The paper warns of the risks involved with licensing patents to NPEs: “Universities would better serve the public interest by ensuring appropriate use of their technology by requiring their licensees to operate under a business model that encourages commercialization and does not rely primarily on threats of infringement litigation to generate revenue.” Unfortunately, dozens of universities have sold or licensed patents to NPEs, including many of the “Nine Points to Consider” signatories.

Some universities have shown a commitment to ensuring that their patents don’t aid bad actors; for example, Stanford University’s standard patent license bars licensees from suing third parties for patent infringement unless the licensee is “diligently developing or selling” the licensed invention.

Within the confines of the Bayh-Dole Act, 37 CFR could help mitigate abuse of patents on federally funded research. Specifically, we recommend that NIST amend § 401.7(a) and § 401.14(a)(k)(4) to specify that in the course of assessing licensees’ potential to bring an invention to practical application, contractors must prioritize candidates that (1) have shown a commitment to research and development in the area of technology the patent covers, and (2) do not have a history of aggressive patent litigation against practicing companies.

We think that such an amendment would be fully permissible under Bayh-Dole; and in fact, it’s clearly in line with the statute’s intention. *See, e.g.*, 35 U.S.C. § 200 (“It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development”); 35 U.S.C. 204 (preference for U.S.-based manufacturing of inventions); 35 U.S.C. § 209 (“First preference for the granting of any exclusive or partially exclusive licenses under section 207(a)(2) shall be given to small business firms having equal or greater likelihood as other applicants to bring the invention to practical application within a reasonable time.”). Companies with business models based on litigation rarely play a role in bringing an invention to practical application: the vast majority of defendants in infringement cases brought on by NPEs developed the inventions independently. *Cf.* Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. Rev. 1421, 1443, 1452 (2009) (finding that, of cases examined in dataset, only 10.9% of cases included an allegation of copying, and only 1.76% of cases had an established case of copying). Therefore, a small business that plans to make, use, or sell the invention itself is usually preferable to a non-practicing entity under 35 U.S.C. § 200. Our recommendation is also consistent with the current rules—it simply adds clarity to the existing “small business” criteria described in § 401.7(a).

## **II. Conclusion**

EFF again thanks NIST for the opportunity to comment regarding Rights to Federally Funded Inventions and Licensing of Government Owned Inventions. We commend NIST for its work so far in its efforts to improve patent licensing of federally funded inventions through encouraging productive uses of patents.

Respectfully submitted,

**Electronic Frontier Foundation**

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