Patents: Federal Employee's Suit Opposes "Rip-Off" by Government

A researcher for the Veterans Administration is pursuing legal action that could overturn a decades-old government policy that deprives many federal employees of patent rights to their inventions.

He is Ervin Kaplan, chief of nuclear medicine at the VA Hospital in Hines, Illinois, and inventor of a body scanner that enables a scintillation camera to take an image of the whole body. The device, which represents a marked advance over previous techniques that permitted examination of only small sections of the body, has become a widely used diagnostic tool in nuclear medicine.

Kaplan has already won an initial legal victory. A federal district court has ruled that a 1950 executive order requiring most federal employees to give up their invention rights is unconstitutional. But the battle is far from over. The Justice Department is appealing the decision and, no matter who wins at the appeals court level, both sides appear ready to carry the fight to the Supreme Court, if that court is willing to consider the issue.

The nub of the legal dispute is Executive Order 10096, issued by President Harry S Truman, which states that the government will ordinarily obtain all domestic rights to inventions made by its employees during working hours, or with the help of a government contribution such as facilities or equipment, or in a field directly related to the official duties of the employee. If the government's contribution is deemed insufficient to justify its assuming all rights, the government is supposed to leave title to the employee while reserving a royalty-free license to use the invention for its own purposes. In determining which case applies, the order says, "it shall be presumed" that the government can retain the rights to inventions made by employees who were specifically employed or assigned to invent, or to conduct or supervise research or development, or to perform R&D liaison work.

Operating under this executive order and a set of regulations based on it, the Veterans Administration concluded that it was entitled to all rights in Kaplan's invention. It reached this decision after receiving a confusing and inconsistent series of estimates concerning the government contribution to the project.

Initially, Kaplan prepared a letter—signed by his hospital administrator—which said that he spent 25 percent of his official time on the invention while another VA employee spent half his time on the project. Kaplan also signed a certificate indicating that the invention was made during duty hours, with various contributions from the VA, and in direct relation to his official duties. Later Kaplan changed his tune and asserted that only some 6 percent of the work on the invention was performed at Hines Hospital during regular working hours. He also downgraded his estimate of the VA's financial contribution to the project. Another doctor at Hines who was assigned to investigate these discrepancies concluded that Kaplan's second estimates were more accurate than his first.

Nevertheless, the Veterans Administration, on 17 July 1973, ruled that Kaplan had failed to rebut the presumption of government ownership. Kaplan appealed to the commissioner of patents, who upheld the VA's decision on 22 May 1974. Kaplan thereupon filed suit in the U.S. District Court for the Northern District of Illinois, Eastern Division.

His suit—prepared by Chicago attorney Harry M. Levy—argued that the VA's decision should be overturned because it was arbitrary, not supported by substantial evidence, and based on various mistakes of fact and of law. Those arguments were made on the assumption that the executive order was valid and that the VA had failed to apply it properly in this case. But the suit also went further and claimed that the executive order itself was an unconstitutional expropriation by the President of basic property rights that can only be regulated by Congress.

District Court Judge William J. Lynch ruled against Kaplan on the facts of the case. He concluded that the VA was indeed entitled to the patent rights if the executive order were deemed valid. But he then went on to conclude that the order itself is unconstitutional. "The Court has no quarrel with the proposition that the President has the power to regulate certain conditions of employment in the executive branch," Judge Lynch wrote. "However, this power is not unbridled and the limits of Presidential discretion are stretched to the breaking point when they conflict with the basic right of any citizen, whether he be a government employee or not, to his property and freedom."

With the executive order ruled invalid, the judge decided the case on the basis of judicial precedents, particularly a 1933 case known as United States *v.* Dubilier Condenser Corporation. In that case, the Supreme Court drew a distinction between employees who were hired to perform general research work and those who were hired specifically to come up with inventions. It held that even if a general research employee ultimately invented a patented process or machine, he would not have to give up his patent rights unless he had expressly agreed to do so. In the current case, Kaplan argued vigorously that, while research was indeed expected to be one of his duties, he had not been hired to invent and, in fact, had produced only one patentable invention in 20 years of employment.

Judge Lynch ruled that, under the Dubilier decision, Kaplan should retain title to the patent but the government should obtain "shop rights" to it, by which he meant an irrevocable, free, and nonexclusive license to use the invention.

The impact of the decision, if it should be upheld on appeal, is difficult to assess. It would clearly not affect employees of the National Aeronautics and Space Administration or the former Atomic Energy Commission (now part of the Energy Research and Development Administration) because Congress has passed legislation giving the government the right to their patents. Nor would it apply to grantees, contractors, or others who do business with the government but are not directly employed by the government, in the opinion of lawyers working on the case. And it has nothing to do with employees who work in the private sector.

But it would affect the vast majority of federal employees. How significant the change would be is uncertain. One government attorney told *Science* there is fragmentary evidence that, despite the executive order, many agencies have been letting their employees retain patent rights anyway. If that is so, then the court decision might not represent a major change in current practice (as opposed to policy). But Kaplan suspects that "a lot of people have been ripped off for years on this" and that the decision would indeed benefit numerous inventors. Whether the decision would apply retroactively—to inventors who have already signed away their rights to the government in the belief that they had to—is uncertain.—PHILIP M. BOFFEY