SB

59

National Conference of State Legislatures

Headquarters Office
(303) 292-6600

1125 Seventeenth Street
Suite 1500
Denver, Colorado
80202

President
Miles 'Cap' Ferry
President of the Senate
State of Utah

Executive Director
Earl S. Mackey

February 3, 1984

Suzanne Tryck
Office of Senator Vic Fischer
Pouch V
Juneau, AK 99811

Dear Suzanne:

As promised in my letter of January 23, I am enclosing a copy of Public Act 83-493, House Bill 726 enacted by the Illinois Legislature on employee patents. I hope this will be useful.

If we can be of further assistance, please contact us.

Sincerely,

Michelle Glastetter

Michelle Glastetter
Legislative Information S

enclosure

File
SB59

EMPLOYEE PATENT ACT

PUBLIC ACT 83-493

HOUSE BILL 726

AN ACT concerning employee inventions.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

[S.H.A. ch. 140, ¶ 301]

Section 1. This Act shall be known and may be cited as the "Employee Patent Act".

[S.H.A. ch. 140, ¶ 302]

Section 2. Employee rights to inventions-conditions).

(1) A provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee's rights in an invention to the employer does not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of this State and is to that extent void and unenforceable. The employee shall bear the burden of proof in establishing that his invention qualifies under this subsection.

(2) An employer shall not require a provision made void and unenforceable by subsection (1) of this Section as a condition of employment or continuing employment. This Act shall not preempt existing common law applicable to any shop rights of employers with respect to employees who have not signed an employment agreement.

(3) If an employment agreement entered into after January 1, 1984, contains a provision requiring the employee to assign any of the employee's rights in any invention to the employer, the employer must also, at the time the agreement is made, provide a written notification to the employee that the agreement does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the employer was used and which was developed entirely on the employee's own time, unless (a) the invention relates (i) to the business of the employer, or (ii) to the employer's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer.

[S.H.A. ch. 140, ¶ 303]

Section 3. This Act takes effect upon becoming a law.

APPROVED: September 17, 1983 EFFECTIVE: September 17, 1983

Additions in text are indicated by underline; deletions by ~~strikeouts~~

SENATE STATE AFFAIRS COMMITTEE

Date received _____

Bill Number _____ Title _____

Fiscal Note	Position Paper	Date requested	From	Amount	Date Rec'd Note	Date Rec'd Paper

CONTACTS

Rich Jones - NCSL
Stan Moberly - Division of Fish

Backup list

HEARING INFORMATION:

NOTES:

8:35 Tues
ST fiscall
Millie
Glastetter
NCSL
303-292-6600
intellectual work prob.

FINAL ACTION _____ DATE _____

National Conference of State Legislatures

Headquarters Office
(303) 292-6600

1125 Seventeenth Street
Suite 1500
Denver, Colorado
80202

President
Miles 'Cap' Ferry
President of the Senate
State of Utah

Executive Director
Earl S. Mackey

January 23, 1984

Suzanne Tryck
Office of Senator Vic Fischer
Pouch V
Juneau, AK 99811

Dear Suzanne:

Thank you for your request regarding ways that business and other states define who owns intellectual work products developed by employees. As we discussed by phone, enclosed is a copy of an article found in The New York Times which might be of interest to you, and copies of relevant sections of employment contracts from IBM and Bell Laboratories. I hope this information will be helpful.

I would also suggest that you obtain a copy of the Report to the Legislature Pursuant to Sec. 45, Ch. 143, SLA 1982 from your Code Revision Commission which deals with laws relating to computer crime, privacy, and intellectual property.

I am expecting a copy of an Illinois statute enacted in 1983 which partly concerns protection of work products. As soon as I receive this statute, I will forward it to you.

If we can be of further service, please contact us.

Sincerely,

Michelle Glastetter

Michelle Glastetter
Legislative Information Services

enclosures

The New York Times/Terrence McCarthy

Robert Spanner, a lawyer in California's Silicon Valley and author of "Who Owns Innovation?," said overly strict legal measures restricting new technological companies might work against the national interest.

Spinoff Suits Mount In Silicon Valley

By ROBERT REINHOLD

Special to The New York Times

PALO ALTO, Calif., Jan. 1 — Last April 22, two engineers at the International Business Machines Corporation's research center in nearby San Jose were summarily dismissed after I.B.M. discovered they planned to start their own company to make the same kind of product they were working on. The same day, I.B.M. sued them, charging theft of trade secrets and breach of fiduciary duty.

And, two weeks ago, to the astonishment of this center of high technology innovation — better known as Silicon Valley — I.B.M. also sued the men's lawyers: Mosher, Pooley, Sullivan & Henderson, a prominent Palo Alto firm that specializes in protecting trade secrets. The suit charged that the firm had disclosed — to an I.B.M. competitor, the Control Data Corporation — I.B.M. secrets obtained confidentially in defending the suit against the engineers.

The case is an example of a growing tendency of companies to sue to halt what they see as the hemorrhage of vital technology and secrets when trusted employees leave to form new companies.

Such suits are not new, but lawyers say they are proliferating because a flood of new capital has given birth to many new spinoffs and because the frantic pace of technical innovation makes it all the more crucial to protect proprietary information.

The companies argue that such suits are meant merely to deter the misappropriation of trade secrets. But lawyers for new companies contend that many suits are designed to frighten off new competition.

There is some irony in all this, for many of the major firms that are suing today themselves started as tiny spinoffs from tolerant companies. And some here feel that the mounting litigation might threaten the risk-taking spirit of the valley, where new companies formed by creative spirits, unhappy with the

Continued on Page 35

The New York Times / Terrence McCarthy

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Continued on Page 35

I.D.S. account, by ... no announcement made, probably be-

Silicon Valley's Spinoff Suits

Continued From First Business Page

Trimedia find venture capital, let a representive from Control Data, a recognition accorded by bigger companies or thirsting for instant riches, have traditionally been a leading source of innovation.

The nature of computer research has rendered meaningless much of the existing patent law, leaving a murky gray area that case law has yet to define.

"It is extremely difficult to distinguish between an employee's general knowledge and proprietary information," said Robert Spanner, a young lawyer with Beckford, Spanner & Kelley of Palo Alto. Mr. Spanner, author of a new book, "Who Owns Innovation?", argues that overly strict legal measures to restrict new technological companies might work against the national interest.

They Work for Intel

Traditionally lax about security, many companies here are clamping down. A leader has been the Intel Corporation of Santa Clara, which makes semiconductors and microprocessers. In addition to signing the normal nondisclosure statement on hiring, Intel employees are annually required to define the proprietary part of their work. This is done again when the employee leaves. Intel also informs new employers and venture capitalists backing new companies of the departed employees legal obligation to Intel.

"We are trying to make our employees aware that they work for Intel, that they cannot serve two masters," said Intel's spokesman, James Jarrett. To reinforce the message, Intel has sued and won a settlement with one breakaway group, Seeq Technology of San Jose and its financial backers, and has threatened to sue 17 employees who resigned from Intel's microprocessing installation in Portland, Ore., on the same day last January to start a competing company, called Sequent.

The I.B.M. case offers a glimpse of the fierce competitiveness of doing business in Silicon Valley. The two employees who were sued, Atel Eltoukhy and Mohammed S. Shaikh, had been working for less than two years for I.B.M., developing a new process for depositing a thin film of magnetic material on disks used to store computer information. Together, they decided to strike out on their own and drew up a business plan, giving it to a freelance typist. According to their lawyer, James H. Pooley of the Mosher, Pooley firm, the typist's husband was an I.B.M. manager and he showed it to his employer.

That plan, I.B.M. charged, showed the two men illegally planned to exploit confidential information on thin-film technology. Ultimately, an out-of-court settlement was reached whereby an independent monitor inspects the new company, called Trimedia, to be sure it is not using I.B.M. techniques.

I.B.M. Disclosed Secrets

But in the course of negotiating that settlement, I.B.M. had to disclose certain trade secrets to Trimedia's lawyer, Mr. Pooley. The Santa Clara County Superior Court ordered those secrets be held in confidence.

In its suit against the lawyer, I.B.M. said Mr. Pooley, while helping potential investor, see a confidential document. Mr. Pooley acknowledged that, but said it was inadvertent, and partly because I.B.M. transmitted the document improperly.

Mr. Pooley, author of a widely used handbook titled "Trade Secrets," said Trimedia, in which his firm has invested, settled simply to avoid the enormous costs of fighting the suit.

Mr. Pooley said plaintiffs may be motivated by factors other than protection of secrets — to exact revenge, to stifle competition or to find a scapegoat for managerial problems.

Stephen Quigley, spokesman for I.B.M. at its headquarters in Armonk, N.Y., said I.B.M. goes to court only to protect patentable trade secrets. "We seek legal recourse solely to protect our legitimate interests," he said. "It's absolute nonsense to assert we do so for any other purpose."

The irony in Intel's new stance lies in its formation in 1968 by two renegades from the Fairchild Instrument and Camera Corporation, Gordon E. Moore and Robert N. Noyce, now chairman and vice chairman of Intel. But according to Mr. Jarrett, the Intel spokesman, Mr. Moore and Mr. Noyce left Fairchild because that company was not interested in integrated circuits, and they pioneered in that new technology rather than duplicate Fairchild's work.

Mr. Jarrett said numerous spinoffs enjoy friendly relations with Intel. For example, Allen H. Michels formed Convergent Technologies of Santa Clara to build microcomputer systems Intel was uninterested in. They are now good customers of Intel, as is Daisy Systems of Sunnyvale, builders of computer-aided design equipment, formed by another

Car Production Up 33.6% in '83

DETROIT, Jan. 2 (AP) — Domestic auto makers built more cars in 1983 than in any other year since 1979, Ward's Automotive Reports said in its current edition.

The trade journal said auto makers assembled 6,778,995 cars last year, 33.6 percent more than the 5,073,214 built in 1982, which was a 23-year low. The 1983 production was the most since 8,422,074 cars were built in 1979, Ward's said.

The General Motors Corporation produced 3,974,301 cars, a 58.6 percent share of the total domestic industry output, compared with 3,173,145 in 1982, or 62.5 percent. The Ford Motor Company built 1,546,874 cars, or 22.8 percent of the total, compared with 1,104,075, or 21.8 percent, in 1982. The Chrysler Corporation built 902,859 cars, or 13.3 percent of the total, compared with 600,502 in 1982, or 11.8 percent.

The American Motors Corporation built 200,672 cars, or 3 percent ... the market, compared with 109,746, or 2.2 percent, in 1982. Volkswagen of America Inc. built 98,611 cars, or 1.5 percent of the market, compared with 84,246, or 1.7 percent, in 1982.

Honda of America Manufacturing Inc. produced 55,474 cars at its Marysville, Ohio, plant, an eight-tenths of 1 percent share of industry output in its first full year of production in the United States.

Industry Gain Seen by U.S.

WASHINGTON, Jan. 2 (Reuters) — Most of the nation's industries will improve in 1984 as the economic recovery spreads through more busi-

IBM

Agreement Regarding Confidential Information and Intellectual Property

In consideration of my employment by IBM or my continued employment at will by IBM, and the payment to me of the salary or other compensation that I shall receive during my employment, I agree as follows:

1. I will not, without IBM's prior written permission, disclose to anyone outside of IBM or use in other than IBM's business, either during or after my employment, any confidential information or material of IBM or its subsidiaries, or any information or material received in confidence from third parties by IBM or its subsidiaries. If I leave the employ of IBM, I will return all IBM property in my possession, including all confidential information or material such as drawings, notebooks, reports, and other documents.

   Confidential information or material of IBM or its subsidiaries is any information or material:
   (a) generated or collected by or utilized in the operations of IBM or its subsidiaries that relates to the actual or anticipated business or research and development of IBM or its subsidiaries; or
   (b) suggested by or resulting from any task assigned to me or work performed by me for or on behalf of IBM;
   and which has not been made available generally to the public.

2. I will not disclose to IBM, use in IBM's business, or cause IBM to use, any information or material which is confidential to others.

3. I will comply, and do all things necessary for IBM and its subsidiaries to comply, with the laws and regulations of all governments under which IBM does business, and with provisions of contracts between any such government or its contractors and IBM or its subsidiaries that relate to intellectual property or to the safeguarding of information.

4. I hereby assign to IBM my entire right, title and interest in any idea, invention, design of a useful article (whether the design is ornamental or otherwise), computer program and related documentation, and other work of authorship (all hereinafter called "Developments"), hereafter made or conceived solely or jointly by me, or written wholly or in part by me, whether or not such Developments are patentable, copyrightable or susceptible to other forms of protection, and the Developments:
   (a) relate to the actual or anticipated business or research or development of IBM or its subsidiaries; or
   (b) are suggested by or result from any task assigned to me or work performed by me for or on behalf of IBM.

   In the case of any "other work of authorship," such assignment shall be limited to those works of authorship which meet both conditions (a) and (b) above.

   The above provisions concerning assignment of Developments apply only while I am employed by IBM in an executive, managerial, product or technical planning, technical, research, programming or engineering capacity (including development, product, manufacturing, systems, applied science, and field engineering). Excluded are any Developments that I cannot assign to IBM because of prior agreement with

   [e.g. name of a prior employer] which is effective until

   _____ *(Give name and date or write "none").*

   I acknowledge that the copyright and any other intellectual property right in designs, computer programs and related documentation, and works of authorship, created within the scope of my employment, belong to IBM by operation of law.

5. In connection with any of the Developments assigned by Paragraph 4:
   (a) I will promptly disclose them to IBM Patent Operations or IBM management as appropriate; and
   (b) I will, on IBM's request, promptly execute a specific assignment of title to IBM, and do anything else reasonably necessary to enable IBM to secure a patent, copyright or other form of protection therefor in the United States and in other countries.

6. IBM and its subsidiaries and their licensees (direct and indirect) are not required to designate me as author of any design, computer program or related documentation, or other work of authorship assigned in Paragraph 4 when distributed publicly or otherwise, nor to make any distribution. I waive and release, to the extent permitted by law, all my rights to the foregoing.

7. I have identified on the back hereof all Developments not assigned by Paragraph 4 in which I have any right, title or interest, and which were previously made or conceived solely or jointly by me, or written wholly or in part by me, but neither published nor filed in any patent office.

   If I do not have any to identify, I have written "none" on this line: _____
   (It is in your interest to establish that any of the above were made, conceived or written before your employment by IBM. You should not disclose them in detail, but identify them only by the titles and dates of documents describing them. If you wish to interest IBM in any of them, you may contact External Submissions at Corporate Headquarters, which will provide you with instructions for submitting them to IBM.)

AGREEMENT FOR ASSIGNMENT OF INVENTIONS

Code Number

IN CONSIDERATION of my employment by Bell Telephone Laboratories, Incorporated, during such time as may be mutually agreeable to that Corporation and myself, I hereby assign and agree to assign to said Corporation, its successors and assigns, all my rights to inventions which, during the period of my employment by said Corporation or by its successors in business, I have made or conceived or may hereafter make or conceive, either solely or jointly with others, in the course of such employment or with the use of said Corporation's time, material or facilities, or relating to any subject matter with which said Corporation is or may be concerned; and I further agree, without charge to said Corporation, but at its expense, to execute, acknowledge and deliver all such further papers, including applications for patents, as may be necessary to obtain patents for said inventions in any and all countries and to vest title thereto in said Bell Telephone Laboratories, Incorporated, its successors or assigns.

WITNESS my hand and seal this_____day of_____19____

_____(Seal)

WITNESS

_____

E-1867 (1-62)

ACK - SEND TO TERRY CRAMER

ACST
THE ALASKA COUNCIL ON SCIENCE AND TECHNOLOGY

November 19, 1982

Senator Bill Ray, Chairman
Blue Ribbon Commission on
the Personnel Act
Alaska State Legislature
Pouch YG
Juneau, Alaska 99811

Dear Senator Ray,

Based upon discussions held at our November 17, 1982 meeting, I am sending suggestions for consideration for the draft legislation entitled "An Act Relating to Government Interests in Intellectual Work Products Developed at the Expense of the State."

The Council suggests that this act be written similarly to the statutes adopted by the federal government. These statutes differ somewhat according to application for specific agencies, but generally all follow the same general philosophy, particularly related to patents. Also, the University of Alaska has an existing policy that works well and has stood the test of time, having been in effect for more than a decade. A general state policy might consider the university approach as well.

These various federal and university policy statements or statutes contain several key elements and philosophical tenets which may be helpful to you. In summary these are:

1. Recognition that patentable inventions produced in the line of work duty may be primarily owned by the sponsoring agency, but that, depending upon the specific circumstances, the originator might rightfully have a partial ownership interest, or at least that it is in the public welfare to award such partial ownership;

2. Recognition that in accepting ownerships of a potential invention, the government or agency accepts responsibility to pursue patenting and management of the patent in a fashion that promotes its usefulness to society;

3. Recognition than in order to promote employee intellectual pursuit, to avoid infringement upon individual freedom, to avoid unnecessary litigation, and to avoid much needless work on the part of agency personnel, that the policy statements or statutes are

Christopher Noah, Executive Director - Pouch CV, Juneau, Alaska 99811 - (907) 465-3510

written to pertain strictly to patentable inventions. (We suggest that the existing wording in the draft bill, specifically the wording "intellectual work product" and its definitions as given in Section 39:52.099 are too broad to be effective and may well be challengeable on Constitutional grounds. The proposed statute, we suggest, should pertain to patentable inventions only.); and

4. Recognition, also that for every "idea" that eventually leads to a patent deemed desirable for agency ownership, there are dozens that do not. (Hence, we suggest that the state needs an inexpensive, effective mechanism to weed out ideas of an unpatentable nature or which, if patented, have no economic value to the state. Examination of established procedures will show that the process must start as close to the inventor as possible--specifically, within the agency wherein the employee works. Determination of patentability and/or desirability of patentability should be conducted within the employee's agency. Determination of desired state ownership should be made by the employer's agency acting in conjunction with the Attorney General's office. It may be appropriate to specify in the proposed bill that the ACST would act as a participant in the decision regarding appropriate share of state ownership, once desirability of patenting has been determined.)

A useful guide to framing a patent regulation for Alaska may be the enclosed copy of patent regulations used by the U.S. Department of Interior. Additionally, as earlier stated, another useful guide could be the patenting policy of the University of Alaska. The process used there involves initial internal determination of patentability, followed by a review made by a specialized non-profit patenting organization which then takes a percentage of ownership in payment for its services should all agree that the pursuit of a patent is desirable. In this case the shares in the ownership of the patent between the non-profit corporation, the university, and the inventor are negotiated.

We trust these comments are useful to you. As this bill proceeds in the legislation process we would be pleased to offer further information for your consideration or testify upon your request.

Sincerely,

David M. Hickok
Chairman

DMH/sw
Enclosure

National Park Service will be granted by the head of the Service or his authorized representative in his discretion and on acceptance by the applicant of the conditions set forth in paragraph (d) (3) of this section.

(d) *Form of application.* The following form is prescribed for an application for permission to make a motion picture, television production, or sound track on areas administered by the United States Fish and Wildlife Service or the National Park Service:

Date _____

To the head of the _____
Service, Department of the Interior _____
(Area)

(1) Permission is requested to make, in the area mentioned above, a _____

(2) The scope of the filming (or production or recording) and the manner and extent thereof will be as follows

Weather conditions permitting, work will commence on approximately _____ and will be completed on approximately _____

_____

_____

(An additional sheet should be used if necessary.)

(3) The undersigned accepts and will comply with the following conditions:

(i) Utmost care will be exercised to see that no natural features are injured, and after completion of the work the area will, as required by the official in charge, either be cleaned up and restored to its prior condition or left, after clean-up, in a condition satisfactory to the official in charge.

(ii) Credit will be given to the Department of the Interior and the Service involved through the use of an appropriate title or announcement, unless there is issued by the official in charge of the area a written statement that no such courtesy credit is desired

(iii) Pictures will be taken of wildlife only when such wildlife will be shown in its natural state or under approved management conditions if such wildlife is confined.

(iv) [Deleted]

(v) Any special instructions received from the official in charge of the area will be complied with.

(vi) Any additional information relating to the privilege applied for by this application will be furnished upon request of the official in charge.

_____
(Applicant)

For _____
(Company)

Bond Requirement $ _____

Approved: _____
(Date)

_____
(Title)

[22 FR 1987, Mar. 26, 1957, as amended at 36 FR 2972, Feb. 13, 1971]

§ 5.2 Areas administered by the Bureau of Indian Affairs.

(a) *Individual Indians.* Anyone who desires to go on the land of an Indian to make pictures, television productions or sound tracks is expected to observe the ordinary courtesy of first obtaining permission from the Indian and of observing any conditions attached to such permission.

(b) *Indian groups and communities.* Anyone who desires to take pictures, including motion pictures, or to make a television production or a sound track of Indian communities, churches, kivas, plazas, or ceremonies performed in such places, must obtain prior permission from the proper officials of the place or community. Limitations which such officials may impose must be scrupulously observed.

(c) *Use of Indian lands.* If the filming of pictures or the making of television productions or sound tracks requires the actual use of Indian lands, a lease or permit must be obtained pursuant to 25 CFR Part 131.

(d) *Employment of Indians.* Any motion picture or television producer who obtains a lease or permit for the use of Indian land pursuant to 25 CFR Part 131 shall be expected to pay a fair and reasonable wage to any Indians employed in connection with the production activities.

[22 FR 1987, Mar. 26, 1957]

PART 6—PATENT REGULATIONS

Subpart A—Inventions by Employees

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6.2 Report of invention.
6.3 Action by supervisory officials.
6.4 Action by Solicitor.
6.5 Rights in inventions.
6.6 Appeals by employees.
6.7 Domestic patent protection.
6.8 Foreign filing.
6.9 Publication and public use of invention before patent application is filed.

Sec.
6.10 Publicity concernin
after patent applicatio
6.11 Condition of employr

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6.51 Purpose.
6.52 Patents.
6.53 Unpatented invention
6.54 Use or manufacture b
ernment.
6.55 Terms of licenses or s
6.56 Issuance of licenses.
6.57 Evaluation Committe

AUTHORITY: 5 U.S.C. 301;
zation Plan No. 3 of 1950,
ecutive Order 10096, 15 FR
tive Order 10930, 26 FR 258

SOURCE: 29 FR 260, Jan.
6498, May 19, 1964, unless

Subpart A—Inventions

§ 6.1 Definitions.

As used in this subpart

(a) The term "Depart
the Department of the I

(b) The term "Secreta
Secretary of the Interior

(c) The term "Solicito
Solicitor of the Departm
terior, or anyone author
him.

(d) The term "Commis
the Commissioner of Pa
Assistant Commissioner
for the Commissioner of

(e) The term "Inventio
new and useful art, pro
machine, manufacture, o
of matter, or any new a
provement thereof, or an
of plant, or any new, ori
namental design for an a
ufacture, which is or ma
able under the laws of
States.

(f) The term "employe
this part includes a part
tant, a part time employe
employee (as defined in 1
of the Department insof
tions made during perio
duty are concerned, exce
cial circumstances in a sp
quire an exemption in o
the needs of the Depar
such exemption to be su
approval of the Commissio

pproved: _____
(Date)

_____
(Title)

1987, Mar. 28, 1957, as amended at 972, Feb. 13, 1971]

reas administered by the Bureau of an Affairs.

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ndian groups and communities. who desires to take pictures, ng motion pictures, or to make vision production or a sound of Indian communities, es, kivas, plazas, or ceremonies ned in such places, must obtain mission from the proper offi- the place or community. Limi- which such officials may must be scrupulously observed.

se of Indian lands. If the film- pictures or the making of televi- roductions or sound tracks re- the actual use of Indian lands, a permit must be obtained pur- to 25 CFR Part 131.

Employment of Indians. Any picture or television producer btains a lease or permit for the Indian land pursuant to 25 CFR 31 shall be expected to pay a id reasonable wage to any Indi- nployed in connection with the ction activities.

1987, Mar. 20, 1957]

2T (—PATENT REGULATIONS

ubpart A—Inventions by Employees

AUTHORITY: 5 U.S.C. 301; sec. 2, Reorganization Plan No. 3 of 1950, 15 FR 3174; Executive Order 10096, 15 FR 389; and Executive Order 10930, 26 FR 2583.

SOURCE: 29 FR 260, Jan. 10, 1964; 29 FR 6498, May 19, 1964, unless otherwise noted.

Subpart A—Inventions by Employees

§ 6.1 Definitions.

As used in this subpart:

(a) The term "Department" means the Department of the Interior.

(b) The term "Secretary" means the Secretary of the Interior.

(c) The term "Solicitor" means the Solicitor of the Department of the Interior, or anyone authorized to act for him.

(d) The term "Commissioner" means the Commissioner of Patents, or any Assistant Commissioner who may act for the Commissioner of Patents.

(e) The term "invention" means any new and useful art, process, method, machine, manufacture, or composition of matter, or any new and useful improvement thereof, or any new variety of plant, or any new, original and ornamental design for an article of manufacture, which is or may be patentable under the laws of the United States.

(f) The term "employee" as used in this part includes a part time consultant, a part time employee or a special employee (as defined in 18 U.S.C. 202) of the Department insofar as inventions made during periods of official duty are concerned, except when special circumstances in a specific case require an exemption in order to meet the needs of the Department, each such exemption to be subject to the approval of the Commissioner.

(g) The term "governmental purpose" means the right of the Government of the United States (including any agency thereof, state, or domestic municipal government) to practice and have practiced (made or have made, used or have used, sold or have sold) throughout the world by or on behalf of the Government of the United States.

(h) The "making of the invention" means the conception or first actual reduction to practice of such invention.

§ 6.2 Report of invention.

(a) Every invention made by an employee of the Department shall be reported by such employee through his supervisor and the head of the bureau or office to the Solicitor, unless the invention obviously is unpatentable. If the invention is the result of group work, the report shall be made by the supervisor and shall be signed by all employees participating in the making of the invention. The original and two copies of the invention report shall be furnished to the Solicitor. The Solicitor may prescribe the form of the report.

(b) The report shall be made as promptly as possible, taking into consideration such factors as possible publication or public use, reduction to practice, and the necessity for protecting any rights of the Government in the invention. Although it is not necessary to withhold the report until the process or device is completely reduced to practice, reduction to practice assists in the preparation of a patent application and, if diligently pursued, protects the interests of the Government and of the inventor. If an invention is reduced to practice after the invention report is filed, the Solicitor must be notified forthwith.

(c) For the protection of the rights of the Government and of the inventor, invention reports and memoranda or correspondence concerning them are to be considered as confidential documents.

(d) An invention report shall include the following:

(1) A brief but pertinently descriptive title of the invention;

(2) The full name, residence, office address, bureau or office and division, position or title, and official working place of the inventor or inventors;

(3) A statement of the evidence that is available as to the making of the invention, including information relative to conception, disclosures to others, and reduction to practice. Examples of such information are references to signed, witnessed and dated laboratory notebooks, or other authenticated records pertaining to the conception of the invention, operational data sheets, analysis and operation evaluation reports pertaining to a reduction to practice, and visitor log books, letters and other documents pertaining to disclosures to others. These need not be submitted with the report, only the identifying data is required, e.g., volume and page number in a laboratory notebook;

(4) Information concerning any past or prospective publication, oral presentation or public use of the invention;

(5) The problem which led to the making of the invention;

(6) The objects, advantages, and uses of the invention;

(7) A detailed description of the invention;

(8) Experimental data;

(9) The prior art known to the inventor(s) and the manner in which the invention distinguishes thereover;

(10) A statement that the employee:

(i) Is willing to and does hereby assign to the Government:

(*a*) The entire rights (foreign and domestic) in the invention;

(*b*) The domestic rights only, but grants to the Government an option to file for patent protection in any foreign country, said option to expire as to any country when it is decided not to file thereon in the United States, or within six months after such filing;

(ii) Requests, pursuant to § 6.2(e), a determination of the respective rights of the Government and of the inventor.

(e) If the inventor believes that he is not required by the regulations in this subpart to assign to the Government the entire domestic right, title, and interest in and to the invention, and if he is unwilling to make such an assignment to the Government, he shall, in his invention report, request that the Solicitor determine the respective rights of the Government and of the inventor in the invention, and he shall include in his invention report information on the following points, in addition to the data called for in paragraph (d) of this section:

(1) The circumstances under which the invention was made (conceived, actually reduced to practice or constructed and tested);

(2) The employee's official duties, as given on his job sheet or otherwise assigned, at the time of the making of the invention;

(3) The extent to which the invention was made during the inventor's official working hours, the extent use was made of government facilities, equipment, funds, material or information, and the time of services of other government employees on official duty;

(4) Whether the employee wishes a patent application to be prosecuted under the Act of March 3, 1883, as amended (35 U.S.C. 266), if it should be determined that he is not required to assign all domestic rights to the invention to the Government; and

(5) Whether the employee would be willing, upon request, to voluntarily assign foreign rights in the invention to the Government if it should be determined that an assignment of the domestic rights to the Government is not required.

§ 6.3 Action by supervisory officials.

(a) The preparation of an invention report and other official correspondence on patent matters is one of the regular duties of an employee who has made an invention and the supervisor of such employee shall see that he is allowed sufficient time from his other duties to prepare such documents. The supervisor shall ascertain that the invention report and other papers are prepared in conformity with the regulations of this part; and, before transmitting the invention report to the head of the bureau or office, shall check its accuracy and completeness, especially with respect to the circumstances in which the invention was developed, and shall add whatever com-

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§ 6.4 Action by Solicitor.

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§ 6.5 Rights in invention:

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ments he may deem to be necessary or desirable. The supervisor shall add to the file whatever information he may have concerning the governmental and commercial value of the invention.

(b) The head of the bureau or office shall make certain that the invention report is as complete as circumstances permit. He shall report whatever information may be available in his agency concerning the governmental and commercial value of the invention, and the foreign countries in which it is likely that the invention would be most useful and would have the greatest commercial value.

(c) If the employee inventor requests that the Solicitor determine his rights in the invention, the head of the bureau or office shall state his conclusions with respect to such rights.

(d) The head of the bureau or office shall indicate whether, in his judgment, the invention is liable to be used in the public interest, and he shall set out the facts supporting his conclusion whenever the employee's invention report does not contain sufficient information on this point.

§ 6.4 Action by Solicitor.

(a) If an employee inventor requests pursuant to paragraph (e) of § 6.2, that such determination be made, the Solicitor shall determine the respective rights of the employee and of the Government in and to the invention. His determination shall be subject to review by the Commissioner in proper cases under Executive Orders 10096 and 10930 and the rules and regulations issued by the Commissioner with the approval of the President.

(b) If the Government is entitled to obtain the entire domestic right, title and interest in and to an invention made by an employee of the Department, the Solicitor, subject to review by the Commissioner in proper cases, may take such action respecting the invention as he deems necessary or advisable to protect the interests of the United States.

§ 6.5 Rights in inventions.

(a) The rules prescribed in this section shall be applied in determining the respective rights of the Government and of an employee of the Department in and to any invention made by the employee.

(b)(1) Except as indicated in the succeeding paragraphs, (b)(1)—(4), of this section, the Government shall obtain the entire domestic right, title, and interest in and to any invention made by an employee of the Department (i) during working hours, or (ii) with a contribution by the Government of facilities, equipment, materials, funds, or information, or of time or services of other government employees on official duty, or (iii) which bears a direct relation to or is made in consequence of the official duties of the inventor.

(2) In any case where the contribution of the Government, as measured by any one or more of the criteria set forth in paragraph (b)(1) of this section, to the invention is insufficient equitably to justify a requirement of assignment to the Government of the entire domestic right, title, and interest in and to such invention, or in any case where the Government has insufficient interest in an invention to obtain the entire domestic right, title, and interest therein (although the Government could obtain same under paragraph (b)(1) of this section), the Solicitor, subject to the approval of the Commissioner, shall leave title to such invention in the employee, subject, however, to the reservation to the Government of a nonexclusive, irrevocable, royalty-free license in the invention with power to grant sublicenses for all governmental purposes, such reservation, in the terms thereof, to appear, where practicable, in any patent, domestic or foreign, which may issue on such invention.

(3) In applying the provisions of paragraphs (b)(1) and (2) of this section to the facts and circumstances relating to the making of any particular invention, it shall be presumed that any invention made by an employee who is employed or assigned (i) to invent or improve or perfect any art, machine, manufacture, or composition of matter, or (ii) to conduct or perform research, development work, or both, or (iii) to supervise, direct, coordinate, or review Government financed or conducted research, development work, or both, or (iv) to act in a liaison capacity among governmental or non-

governmental agencies or individuals engaged in such work, falls within the provisions of paragraph (b)(1) of this section and it shall be presumed that any invention made by any other employee falls within the provisions of paragraph (b)(2) of this section. Either presumption may be rebutted by a showing of the facts and circumstances in the case and shall not preclude a determination that these facts and circumstances justify leaving the entire right, title and interest in and to the invention in the government employee, subject to law.

(4) In any case wherein the Government neither (i) obtains the entire domestic right, title, and interest in and to an invention pursuant to the provisions of paragraph (b)(1) of this section, nor (ii) reserves a nonexclusive, irrevocable, royalty-free license in the invention, with power to grant sublicenses for all governmental purposes, pursuant to the provisions of paragraph (b)(2) of this section, the Solicitor, subject to the approval of the Commissioner, shall leave the entire right, title, and interest in and to the invention in the employee, subject to law.

(c) In the event that the Solicitor determines, pursuant to paragraph (b)(2) or (4) of this section, that title to an invention will be left with an employee, the Solicitor shall notify the employee of this determination and promptly prepare, and preserve in appropriate files, accessible to the Commissioner, a written signed, and dated statement concerning the invention including the following:

(1) A description of the invention in sufficient detail to identify the invention and show the relationship to the employee's duties and work assignment;

(2) The name of the employee and his employment status, including a detailed statement of his official duties and responsibilities at the time the invention was made; and

(3) A statement of the Solicitor's determination and reasons therefor. The Solicitor shall, subject to considerations of national security, or public health, safety, or welfare, submit to the Commissioner a copy of this written statement. This submittal in a case falling within the provisions of paragraph (b)(2) of this section shall be made after the expiration of the period prescribed in § 6.6 for the taking of an appeal, or it may be made prior to the expiration of such period if the employees acquiesces in the Solicitor's determination. The Commissioner thereupon shall review the determination of the Solicitor and the Commissioner's decision respecting the matter shall be final, subject to the right of the employee or the Solicitor to submit to the Commissioner within 30 days (or such longer period as the Commissioner may, for good cause, shown in writing, fix in any case) after receiving notice of such decision, a petition for the reconsideration of the decision. A copy of such petition must also be filed by the inventor with the Solicitor within the prescribed period.

§ 6.6 Appeals by employees.

(a) Any employee who is aggrieved by a determination of the Solicitor pursuant to § 6.5(b) (1) or (2) may obtain a review of the determination by filing, within 30 days (or such longer period as the Commissioner may for good cause shown in writing, fix in any case) after receiving notice of such determination, two copies of an appeal with the Commissioner. The Commissioner then shall forward one copy of the appeal to the Solicitor.

(b) On receipt of a copy of an appeal filed pursuant to paragraph (a) of this section, the Solicitor shall, subject to considerations of national security, or public health, safety, or welfare, promptly furnish both the Commissioner and the inventor with a copy of a report containing the following information about the invention involved in the appeal:

(1) A copy of a statement containing the information specified in § 6.5(c), and

(2) A detailed statement of the points of dispute or controversy, together with copies of any statements or written arguments that may have been filed, and of any other relevant evidence that the Solicitor considered in making his determination of Government interest. Within 25 days (or such longer period as
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such longer period as the Commissioner may, for good cause shown, fix in any case) after the transmission of a copy of the Solicitor's report to the employee, the employee may file a reply thereto with the Commissioner and file one copy thereof with the Solicitor.

(c) After the time for the employee's reply to the Solicitor's report has expired and if the employee has so requested in his appeal, a date will be set for the hearing of oral arguments by the employee (or by an attorney whom he designates by written power of attorney filed before, or at the hearing) and the Solicitor. Unless it shall be otherwise ordered before the hearing begins, oral arguments will be limited to thirty minutes for each side. The employee need not retain an attorney or request an oral hearing to secure full consideration of the facts and his arguments. He may expedite such consideration by notifying the Commissioner when he does not intend to file a reply to the Solicitor's report.

(d) After a hearing on the appeal, if a hearing was requested, or after expiration of the period for the inventor's reply to the Solicitor's report, if no hearing is set, the Commissioner shall issue a decision on the matter, which decision shall be final after the period for asking reconsideration expires or on the date that a decision on a petition for reconsideration is finally disposed of. Any request for reconsideration or modification of the decision must be filed within 30 days from the date of the original decision (or within such an extension thereof as may be set by the Commissioner before the original period expires). The Commissioner's decision shall be made after consideration of the statements of fact in the employee's appeal, the Solicitor's report, and the employee's reply, but the Commissioner, at his discretion and with due respect to the rights and convenience of the inventor and the Solicitor, may call for further statements on specific questions of fact or may request additional evidence in the form of affidavits or depositions on specific facts in dispute.

§ 6.7 Domestic patent protection.

(a) The Solicitor, upon determining that an invention coming within the scope of § 6.5(b) (1) or (2) has been made, shall thereupon determine whether patent protection will be sought in the United States by the Department for such invention. A controversy over the respective rights of the Government and of the inventor in any case shall not delay the taking of the actions provided for in this section. In cases coming within the scope of § 6.5(b) (2), action by the Department looking toward such patent protection shall be contingent upon the consent of the inventor.

(b) Where there is a dispute as to whether paragraphs (b)(1) or (2) of § 6.5 applies in determining the respective rights of the Government and of an employee in and to any invention, the Solicitor will determine whether patent protection will be sought in the United States pending the Commissioner's decision on the dispute, and, if he determines that an application for patent should be filed, he will take such rights as are specified in § 6.5(b) (2), but this shall be without prejudice to acquiring the rights specified in § 6.5 (b) (1) should the Commissioner so decide.

(c) Where the Solicitor has determined to leave title to an invention with an employee under § 6.5(b) (2), the Solicitor will, upon the filing of an application for patent and pending review of the determination by the Commissioner, take the rights specified in that paragraph, without prejudice to the subsequent acquisition by the Government of the rights specified in § 6.5(b) (1) should the Commissioner so decide.

(d) In the event that the Solicitor determines that an application for patent will not be filed on an invention made under the circumstances specified in § 6.5(b) (1) giving the United States the right to title thereto, the Solicitor shall subject to considerations of national security, or public health, safety, or welfare, report to the Commissioner promptly upon making such determination, the following information concerning the invention:

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(1) Description of the invention in sufficient detail to permit a satisfactory review;

(2) Name of the inventor and his employment status;

(3) Statement of the Solicitor's determination and reasons therefor.

The Commissioner, may, if he determines that the interest of the Government so requires and subject to considerations of national security, or public health safety, or welfare, bring the invention to the attention of any Government agency to whose activities the invention may be pertinent, or cause the invention to be fully disclosed by publication thereof.

§ 6.8 Foreign filing.

(a) *By Government.* (1) In every case where the employee has indicated pursuant to § 6.2(d)(10), his willingness to assign the domestic patent rights in the invention to the Government, or where it has been determined pursuant to § 6.5 that the Government shall obtain the entire domestic patent rights, the Government shall reserve an option to acquire assignment of all foreign rights including the rights to file foreign patent applications or otherwise to seek protection abroad on the invention,

(2) The Government's option shall lapse as regards any foreign country:

(i) When the Solicitor determines after consultation with the agency most directly concerned, not to cause an application to be filed in said foreign country or otherwise to seek protection of the invention, as by publication;

(ii) When the Solicitor fails to take action to seek protection of the invention in said foreign country (a) within six months of the filing of an application for a United States patent on the invention, or (b) within six months of declassification of an invention previously under a security classification, whichever is later.

(b) *By Employee.* (1) No Department employee shall file or cause to be filed an application for patent in any foreign country on any invention in which the Government has acquired the entire (foreign and domestic) patent rights, or holds an unexpired option to acquire the patent rights in said foreign country, or take any steps which would preclude the filing of an application by or on behalf of the Government.

(2) An employee may file in any foreign country where the Government has not exercised its option acquired pursuant to § 6.2(d)(10), to do so, or determines not to do so.

(3) The determination or failure to act as set forth in § 6.8(a)(2) shall constitute a decision by the Government to leave the foreign patent rights to the invention in the employee, subject to a nonexclusive, irrevocable, royalty-free license to the Government in any patent which may issue thereon in any foreign country, including the power to issue sublicenses for governmental purposes or in furtherance of the foreign policies of the Government or both.

§ 6.9 Publication and public use of invention before patent application is filed.

(a) Publication or public use of an invention constitutes a statutory bar to the granting of a patent for the invention unless a patent application is filed within one year of the date of such publication or public use. In order to preserve rights in unpatented inventions, it shall be the duty of the inventor, or of his supervisor if the inventor is not available to make such report, to report forthwith to the Solicitor any publication or use (other than experimental) of an invention, irrespective of whether an invention report has previously been filed. If an invention report has not been filed, such a report, including information concerning the public use or publication, shall be filed at once. If an invention is disclosed to any person who is not employed by the Department or working in cooperation with the Department upon that invention, a record shall be kept of the date and extent of the disclosure, the name and address of the person to whom the disclosure was made, and the purpose of the disclosure.

(b) No description, specification, plan, or drawing of any unpatented invention upon which a patent application is likely to be filed shall be published, nor shall any written descrip-

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§ 6.10 Publicity concern
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§ 6.10 Publicity concerning the invention after patent application is filed.

In order that the public may obtain the greatest possible benefit from inventions in which the Secretary has transferable interests, inventions assigned to the Secretary upon which patent applications have been filed shall be publicized as widely as possible, within limitations of authority, by the Department, by the originating agency, by the division in which the inventor is employed, and by the inventor himself in his contacts with industries in which the invention is or may be useful. Regular organs of publication shall be utilized to the greatest extent possible. In addition, it shall be the duty of the Solicitor, upon being advised of the issuance of any patent assigned to the Secretary, to take steps towards listing the patent as available for licensing, where feasible.

§ 6.11 Condition of employment.

(a) The regulations in this subpart shall be a condition of employment of all employees of the Department and shall be effective as to all their inventions. These regulations shall be effective without regard to any existing or future contracts to the contrary entered into by any employee of the Department with any person other than the Government.

(b) If a patent application is filed upon an invention which has been made by an employee of the Department under circumstances that entitle the Government to the entire domestic right, title and interest in and to the invention, but which has not been reported to the Solicitor pursuant to the regulations in this subpart, title to such invention shall immediately vest in the Government, as represented by the Secretary, and the contract of employment shall be considered an assignment of such rights.

Subpart B—Licenses

§ 6.51 Purpose.

It is the purpose of the regulations in this subpart to secure for the people of the United States the full benefits of Government research and investigation in the Department of the Interior (a) by providing a simple procedure under which the public may obtain licenses to use patents and inventions in which the Secretary of the Interior has transferable interests and which are available for licensing; and (b) by providing adequate protection for the inventions until such time as they may be made available for licensing without undue risk of losing patent protection to which the public is entitled.

[31 FR 10706, Aug. 13, 1966]

§ 6.52 Patents.

Patents in which the Secretary of the Interior has transferable interests, and under which he may issue licenses or sublicenses, are classified as follows:

(a) *Class A.* Patents, other than those referred to in paragraph (c) of this section, which are owned by the United States, as represented by the Secretary of the Interior, free from restrictions on licensing except such as are inherent in Government ownership;

(b) *Class B.* Patents in which the interest of the United States, as represented by the Secretary of the Interior, is less than full ownership, or is subject to some express restriction upon licensing or sublicensing (including patents upon which the Secretary of the Interior holds a license, patents assigned to the Secretary of the Interior as trustee for the people of the United States, and patents assigned to the Secretary of the Interior upon such terms as to effect a dedication to the public);

(c) *Class C.* Patents and patent rights acquired by the Secretary of the Interior pursuant to the Act of April 5, 1944 (58 Stat. 190; 30 U.S.C. 321—325), and any amendments thereof.

[29 FR 260, Jan. 10, 1964, as amended at 31 FR 10796, Aug. 13, 1966]

§ 6.53 Unpatented inventions.

The Secretary of the Interior may also have transferable interests in inventions which are not yet patented. In order to protect the patent rights of the Department, for the eventual benefit of the public, a license may be granted with respect to such an invention only if (a) a patent application has been filed thereon; (b) the invention has been assigned to the United States, as represented by the Secretary of the Interior, and the assignment has been recorded in the Patent Office; and (c) the Solicitor of the Department is of the opinion that the issuance of a license will not prejudice the interests of the Government in the invention. Such licenses shall be upon the same terms as licenses relating to patents of the same class, as described in § 6.52.

§ 6.54 Use or manufacture by or for the Government.

A license is not required with respect to the manufacture or use of any invention assigned or required to be assigned without restrictions or qualifications to the United States when such manufacture or use is by or for the Government for governmental purposes. A license or sublicense may be required, however, for such manufacture or use in the case of Class B patents or patent rights when the terms under which the Secretary of the Interior acquires interests therein necessitate the issuance of a license or sublicense in such circumstances.

[31 FR 10796, Aug. 13, 1966]

§ 6.55 Terms of licenses or sublicenses.

(a) No license or sublicense shall be granted under any patent in which the Secretary of the Interior has transferable interests, except as set forth under these regulations, the terms and conditions of which shall be expressly stated in such license and sublicense. The terms of licenses and sublicenses issued under this subpart shall not be unreasonably restrictive.

(b) To the extent that they do not conflict with any restrictions to which the licensing or sublicensing of Class B patents and unpatented inventions may be subject, all licenses and sublicenses relating to Class A and Class B patents and unpatented inventions shall be subject to the following terms and provisions, and to such other terms and conditions as the Solicitor may prescribe:

(1) The acceptance of a license or sublicense shall not be construed as a waiver of the right to contest the validity of the patent. A license or sublicense shall be revocable only upon a finding by the Solicitor of the Department that the terms of the license or sublicense have been violated and that the revocation of the license or sublicense is in the public interest. Such finding shall be made only after reasonable notice and an opportunity to be heard.

(2) Licenses and sublicenses shall be nontransferable. Upon a satisfactory showing that the Government or public will be benefited thereby, they may be granted to properly qualified applicants royalty-free. If no such showing is made, they shall be granted only upon a reasonable royalty or other consideration, the amount or character of which is to be determined by the Solicitor. A cross-licensing agreement may be considered adequate consideration.

(3) Licensees and sublicensees may be required to submit annual or more frequent technical or statistical reports concerning practical experience acquired through the exercise of the license or sublicense, the extent of the production under the license or sublicense, and other related subjects.

(4) A licensee or sublicensee manufacturing a patented article pursuant to a license or sublicense shall give notice to the public that the article is patented by affixing thereon the word "patent", together with the number of the patent, or when, from the character of the article, this cannot be done, by fixing to it, or to the package in

which it is enclosed, a
such notice.

(c) Licenses and sub
to Class C patents a
shall be granted upon
conditions as may be p
ant to sections 3 and
April 5 1944, and a
thereof.

[29 FR 260, Jan. 10, 1964.
FR 10796, Aug. 13, 1966]

§ 6.56 Issuance of licens

(a) Any person desir
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(2) The nature of his

(3) The patent or
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(4) The purpose for
a license;

(5) His experience in
desired license;

(6) Any patents, lic
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(7) The benefits, if
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(b) It shall be the du
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§ 6.57 Evaluation Commi

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which it is enclosed, a label containing such notice.

(c) Licenses and sublicenses relating to Class C patents and patent rights shall be granted upon such terms and conditions as may be prescribed pursuant to sections 3 and 5 of the Act of April 5 1944, and any amendments thereof.

[29 FR 260, Jan. 10, 1964, as amended at 31 FR 10796, Aug. 13, 1966]

§ 6.56 Issuance of licenses.

(a) Any person desiring a license relating to an invention upon which the Secretary of the Interior holds a patent or patent rights may file with the Solicitor of the Department of the Interior an application for a license, stating:

(1) The name, address, and citizenship of the applicant;

(2) The nature of his business;

(3) The patent or invention upon which he desires a license;

(4) The purpose for which he desires a license;

(5) His experience in the field of the desired license;

(6) Any patents, licenses, or other patent rights which he may have in the field of the desired license; and

(7) The benefits, if any, which the applicant expects the public to derive from his proposed use of the invention

(b) It shall be the duty of the Solicitor, after consultation with the bureau most directly interested in the patent or invention involved in an application for a license, and with the Evaluation Committee if royalties are to be charged, to determine whether the license shall be granted. If he determines that a license is to be granted, he shall execute on behalf of the Secretary, an appropriate license.

§ 6.57 Evaluation Committee.

At the request of the Solicitor, an Evaluation Committee will be appointed by the Secretary to recommend royalty rates with respect to any patents or inventions for which royalties may be charged.

PART 7—EMPLOYEES: INTEREST IN LANDS AND RESOURCES

Sec.
7.1 Authority.
7.2 Definitions.
7.3 Prohibition.
7.4 Exceptions.
7.5 Multiple Use Advisory Boards.
7.6 Applications for a farm unit.
7.7 Requests for advice.
7.8 Penalty.

AUTHORITY: R.S. 452; 5 U.S.C. 301, 43 U.S.C. 11.

SOURCE: 27 FR 3812, Apr. 20, 1962, unless otherwise noted.

§ 7.1 Authority.

The regulations in this part are based on (a) section 161 of the Revised Statutes (5 U.S.C. 22) which authorizes the Secretary of the Interior to prescribe regulations not inconsistent with law for the government of his Department and the conduct of its officers and employees; and (b) section 452 of the Revised Statutes (43 U.S.C. 11) which prohibits employees of the Bureau of Land Management from directly or indirectly purchasing or becoming interested in the purchase of any of the public land, and which provides that any person who violates the section shall forthwith be removed from his office.

§ 7.2 Definitions.

(a) The term "employee" as used in this part includes any person employed by the Department of the Interior, or any of its bureaus or offices however designated.

(b) The term "interest" means any direct or indirect ownership in whole or in part of the lands or resources in question, or any participation in the earnings therefrom, or the right to occupy or use the property or to take any benefits therefrom based upon a lease or rental agreement, or upon any formal or informal contract with a person who has such an interest. It includes membership in a firm, or ownership of stock or other securities in a corporation which has such an interest: *Provided*, That stock or securities traded on the open market may be purchased by an employee if the ac-

ALASKA CODE REVISION COMMISSION

ALASKA STATE LEGISLATURE
POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-4678

REPORT TO THE LEGISLATURE

PURSUANT TO SEC. 45, CH. 143, SLA 1982

A STUDY OF LAWS RELATING TO COMPUTERS AND TELECOMMUNICATIONS SYSTEMS

--PRIVACY, INTELLECTUAL PROPERTY, COMPUTER CRIME--

JUNE 8, 1983

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APPENDICES (cont'd)

REPORT TO THE LEGISLATURE
PURSUANT TO SEC. 45, CH. 143, SLA 1982

Introduction

In the last days of the 1982 legislative session, the following floor amendment to HCS CSSB 535 (2d Jud) am H, offered by Representative Brian Rogers, was adopted and became part of ch. 143, SLA 1982:

> Sec. 45. The Alaska Code Revision Commission shall, after consultation with the Department of Law and the Division of Telecommunications Systems, conduct a comprehensive study of laws relating to computers and telecommunications systems. The Commission shall make recommendations to the First Session of the Thirteenth Legislature concerning offenses involving computer equipment, offenses against intellectual property, and privacy implications of computer and telecommunications uses.

This report is in response to the quoted section.

I. STUDY OF LAWS RELATING TO COMPUTERS AND TELECOMMUNICATIONS SYSTEMS.

The first sentence of the section calls for a comprehensive study of laws relating to computers and telecommunications systems. Fortunately for the limited resources the commission had to conduct a study, there is a comprehensive review of state laws in this field printed in Jurimetrics Journal, Volume 20, Number 3, Spring 1980. This "Digest and Analysis of State Legislation Relating to Computer Technology" authored by John C. Lautsch, Appendix A to this report, is brought up to date with our additions. It is supplemented by copies of the principal Alaska laws referred to in this study. Some are in other appendices according to subject matter. Some of the more general laws on telecommunications are grouped together in Appendix B. Copies of the texts of laws from other states that we obtained for this study generally are not forwarded with this report but are available for review and copying in the office of the code revision commission, Room No. 5, 110 Seward Street, Juneau.

Although some rudimentary understanding of existing and potential future federal law is useful toward determining what, if any, Alaska legislation should be enacted, an exhaustive study of federal law is beyond the scope of this study. Existing federal statutes that may be pertinent to the study are listed in Appendix K, at page 17.

One potential future federal law in the subject area of this report is a "Federal Computer Systems Protection Act". It is HR 1092 in the 98th Congress, known as "the Nelson bill" for its sponsor, Representative Bill Nelson of Florida. Since it would make a federal crime of various acts relating to computers, it is discussed in a section on computer crime later in this report. (See Appendix U)

Laws making computer crime a separate category of state crime have been enacted in some sixteen states. They are discussed in the general survey of state laws (Appendix A); the texts are appended as Appendix P to the separate section of this report on computer crime.

In the Lautsch study (Appendix A) a question is raised about Alaska's having placed central control over all state computers in the Department of Administration, an agency of the executive branch of government. Cases are there discussed dealing with constitutional separation of powers issues raised in other states. Appendix A, pages 204-207; see especially, Opinion of the Justices to the House of Representatives, 309 N.W.2d 476 (Mass. 1974). There being obvious advantages to centralization, the legislature should at least be aware that the central control provided in AS 44.21.150--44.21.170 (included in Appendix B) may be challenged on constitutional grounds.

Beyond this, the Lautsch study shows Alaska's adoption of various computer-related statutes in comparison to the other states and does not single out Alaska as noteworthy.

Since Appendix A, these notes, and related appendices, comprise the general study called for by the first sentence of sec. 45, ch. 143, SLA 1982, this report proceeds to what is called for by the second sentence of that section.

II. PRIVACY.

"Privacy implications of computer and telecommunications uses" is a broad subject or a relatively narrow one depending upon one's focus.

Here we briefly treat the broad concept of privacy and then go to more specific applications of the right to privacy as it applies to computers and telecommunications.

The law on privacy in Alaska starts with Article I, Section 22 of the Alaska Constitution:

> The right of the people to privacy is recognized and should not be infringed. The legislature shall implement this section.

The right has been construed by the state supreme court in several decisions, generally in ways not related to computers and telecommunications. (The section is fully annotated in Volume I of Alaska Statutes and citations are not repeated here. Citations are also set out in Appendix A at pages 223-224.) The court's decision in State v. Glass, 585 P.2d 514 (Alaska, 1978), should be noted especially. That case involved use in evidence of a recording of a telephone conversation made by investigators with the consent of only one of the participants to the conversation, the court holding the other participant's constitutional right to privacy was abridged. Since the telephone is the primary telecommunication device, whether it is used in voice transmission or in nonverbal communication with a computer, the case has broad application. Alaska's "right to privacy" covers commercial privacy as well as individual privacy: It protects the privacy of certain business information, the disclosure of which would advantage a competitor. Woods and Rohde v. State Dept. of Labor, 565 P.2d 138 (Alaska, 1977).

The constitutional right to privacy, specific in the Alaska Constitution, implied in the U.S. Constitution (see Harlan concurrence in Katz v. United States, 389 U.S. 347 (1967), the reasoning adopted for Alaska in Glass, supra) is not absolute. In the case of public records there is continuous tension between the right to privacy and the public information laws. Confidentiality of certain information is required by numbers of Alaska statutes. Records that are protected as confidential include certain vital statistics, medical, tax, employment security, social services, state loans, oil and gas, educational and criminal justice records. But the public's "right to know" is a countervailing interest, a right that often collides with the right to privacy. The Alaska and federal public information law, AS 09.25.110--09.25.120 and 5 U.S.C. § 552 and the Privacy Act of 1974, 5 U.S.C. § 552a, are attached as Appendix C.

The conflict between privacy and openness is explored in several opinions of the Attorney General, copies of which are retained and available in the files of the code revision commission.

Regulations were adopted in 1982 on procedures that apply under the state's freedom of information act, AS 09.25.-110--09.25.120. The regulations, 6 AAC 95.010--6 AAC 95.900, deal in part with the conflict between laws that protect privacy and those that promote openness in government. Generally, the same regulations apply to information whatever its form. However, 6 AAC 95.140 contains special provisions on information that must be decoded or otherwise converted. The section puts the burden on the requestor to decode or convert. By its terms the section could apply to any record in a computer or on a magnetic tape, since the record must be converted to be read. According to Assistant Attorney General Tom Jahnke, however, the section is not intended to apply to a record in a computer or on tape if the record can be printed out without decoding. Jahnke's

section analysis of the regulations and the regulations themselves are attached as Appendix D. We invite attention to Jahnke's explanation of 6 AAC 95.140.

The freedom of information act, AS 09.25.110--09.25.-120, as distinguished from the regulations that implement it, does not deal specially with records in computer storage and apparently requires the state to call up a requested record from storage for inspection no matter what means of storage is used. Therefore, although our focus here is on privacy rather than on public access, we note that a question might be raised about validity of the restrictions on access in 6 AAC 95.140.

Computers are central to the Alaska Justice Information System (AJIS), and nowhere in the state's regulations is the tension between privacy and public access to information in computers more thoroughly dealt with than in AJIS regulations. The system with its computer access to criminal history record information and the broader category of criminal justice information is the subject of AS 12.62 and regulations 6 AAC 60. AJIS is overseen by the Governor's Commission on the Administration of Justice and its functionary, the Alaska justice information coordinator, as provided in AS 44.19.122. These statutes and regulations are attached for reference. Appendix E.

In most states privacy in relation to computers and telecommunications is considered largely a practical problem of implementing existing law on what information is to be kept confidential. It is possible to construct a separate system of requirements for businesses and governmental units that keep personal data in their computer memory banks, of course. An example is the Computer Privacy Act included in 1978 Suggested State Legislation of the Council of State Governments (Appendix F).

Since 1978 when that broad Act was suggested, the minicomputer has come into common use. The headnote to the Computer Privacy Act is a good resume of the registration and reporting

requirements of that act. From it we can judge whether the act is practical given the proliferation of computer use. Even before the explosion in minicomputers often with ties to larger business computers, voices were raised warning that the pervasive regulation provided by such statutes was an inflationary pressure hard to quantify and isolate, and urging relative simplicity in the legislative scheme to protect against invasion of privacy. (Appendix A, p. 210)

Attached is a Uniform Information Practices Code drafted as proposed uniform legislation by the National Conference of Commissioners on Uniform State Laws in 1980 (Appendix G). No states have adopted the uniform law.

Also attached is a Privacy Act included in 1978 Suggested State Legislation of the Council of State Governments (Appendix H). The various model and uniform acts overlap each other and cover some ground already covered by Alaska and other states' laws.

An explanation precedes each of these model and uniform acts in the appendices, drafted in a way favorable to the Act in each instance.

As noted, there are attached as appendices three information practices codes, one from the National Conference of Commissioners on Uniform State Laws and two from the Council of State Governments. Although there are differences between the codes and differences especially in the scope of their coverage, they have a common ancestry in federal studies published in 1973 and in 1977. The 1973 Report of the Secretary's Advisory Committee on Automated Personal Data Systems, Department of Health, Education and Welfare, entitled "Records, Computers and the Rights of Citizens" is attached as Appendix I. This report resulted in enactment of the U.S. Privacy Act of 1974, PL 93-579, 5 U.S.C., § 552a, to regulate the computerized personnel record keeping of federal agencies. The 1973 report was followed in 1977 by the

report of the federal Privacy Protection Study Commission, attached as Appendix J. The history and influence of these studies is set out in J. Lautsch, "Law and Computer Privacy in the States of the USA," 1 Information Privacy 100, at 101-102, attached as Appendix K.

The basic parts of this "information-practices" approach to computer privacy, contained in each of the codes are:

(1) the establishment of notice (disclosure) requirements;

(2) the establishment of standards for the use of personal information;

(3) legislating specific record keeping rules for accounting for and access to personal information;

(4) the establishment of a right of inquiry; and

(5) a right of inspection and challenge.

Lautsch (Appendix K, at pp. 101-102) explains each of these concepts and follows with acknowledgment of their usefulness as social policy but criticises their enactment into detailed state statutory requirements. According to Lautsch in his computer privacy article (Appendix K at p. 101), the concepts of the influential 1973 report to the secretary were never intended to be lifted out in total to form statutory enactments. However, that has been the result in some states. Lautsch in his general survey (Appendix A, at p. 216), includes Alaska's law on security and privacy in the Criminal Justice Information System among the laws of sixteen states where some aspects of the "information practices" approach is adopted. He also lists AS 18.23.030 in this category, but that categorization is scarcely justified. And so far Alaska has not seen fit to enact anything comparable to the general information practices codes, Appendices F, G, and H.

Principal federal laws on information privacy are listed in Lautsch, "A DP Management Guide to Privacy Legislation",

a publication of Aurbach Publishers, Inc. (Appendix L, at p. 17). The collected federal citations are followed by citations to selected state laws. That publication is included in the report for an excellent discussion of the constitutional basis for a federal right to privacy, as well as for an overview of pertinent federal statutes.

III. INTELLECTUAL PROPERTY.

This study is to include "recommendations . . . concerning offenses against intellectual property" (sec. 45, ch. 143, SLA 1982).

The subject will be further treated as part of "computer crime", a later section of this report. However, since one immediately associates intellectual property with copyright law, some mention is made of copyrights.

In outline the recommendation is simple: No good reason appears for the state to legislate on copyrights.

It is a field regulated by Congress under the commerce clause. If copyrighting in relation to computer and telecommunications is not a field preempted by Congress, it is all but preempted, and the chance of an unconstitutional state enactment is great. A statutory expression of this preemption is in 17 U.S.C. § 301(a). It declares that as to rights covered by the 1976 Copyright Act " . . . no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State." The 1976 Copyright Act, Pub. L. 94-553, 90 Stat. 2572, 17 U.S.C. § 101, et seq., resulted after decades of effort to modernize copyright law. Even so, it leaves open some questions on computer technology, apparently for future federal legislation, by the following section:

> Sec. 117. Scope of exclusive rights: Use in conjunction with computers and similar information systems.
>
> Notwithstanding the provisions of sections 106 through 116 and 118, this title does not

> afford to the owner of copyright in a work any greater or lesser rights with respect to the use of the work in conjunction with automatic systems capable of storing, processing, retrieving, or transferring information, or in conjunction with any similar device, machine, or process, than those afforded to works under the law, whether title 17 or the common law or statutes of a State, in effect on December 31, 1977, as held applicable and construed by a court in an action brought under this title.

Reed C. Lawlor, a California patent attorney, summarizes the "prevailing views under the old 1909 law and under the new 1976 law" ("CONTU" in the following quotation means the Commission on New Technological Use of Copyrighted Works, a presidential commission):

> 1. It is generally agreed that computer programs are copyrightable under the old law, at least in written or printed form. There is hardly any question that this is also the case under the new law.
>
> 2. There are some who argue that when a program is in a machine-readable form it is not protected under the old copyright law. But under the new law programs in machine-readable form are protected, if such protection is constitutional.
>
> 3. There is a general belief that copying of a computer program that is in machine-readable form does not constitute copyright infringement under the old law. But it is generally agreed that, except for a constitutional question, making a machine-readable copy of a machine-readable program constitutes copyright infringement under the new law. This should also apply to loading program into a computer memory. At one point CONTU seems to interpret the law to mean that copying of a program into computer memory is a 'use' under present Section 117 (CONTU Report page 30). But it also makes a strong statement to the contrary. (CONTU Report page 31)
>
> 4. There is little question that a proprietor of a computer program had a common law right to treat the program as a trade secret under the old law and to license or lease the program as a trade secret and to receive payment in terms of the execution time of the program, as well as on a weekly or monthly basis, or possibly in other ways.

> 5. But under Section 117, the protection remains almost the same as under the old law as far as program execution is concerned, whatever that is.

Lawlor, "A Proposal for Strong Protection of Computer Programs Under the Copyright Law," Jurimetrics Journal, Fall 1979, at 18-29.

Lawlor, in his article, outlines proposals for revision and extension of the 1976 Copyright Act made by CONTU, the commission appointed by President Ford in 1975 that worked for three years on the subject. Lawlor also outlines his own different proposals. At the heart of the issue is the traditional common law limitation on copyright--the concept that ideas are in the public domain, free for use by anyone. It is only the way in which they are expressed that may be protected by copyright.

It is on the national level that these issues over technological property must be worked through, and the influence of Alaskans should be expressed through the routes available in the federal system.

There is little in existing Alaska law on intellectual property, except as noted in the following section on computer crime. Perhaps the single exception is AS 45.50.330--45.50.430 on protection of copyrighted musical compositions. (Appendix M) It is old law carried over from ACLA 1949. We have been unable to determine whether there have been prosecutions under the anti-monopoly provision of the law, or what the level of compliance is with the filing requirements of the law, but we find there are some current filings under it.

IV. COMPUTER CRIME.

"A computer crime is defined as any illegal act for which knowledge of computer technology is essential for its perpetration, investigation, or prosecution (U.S. Department of Justice, 1979). Computer crime can be divided into two main

categories. In the first category, the computer is a tool of a crime, such as fraud, embezzlement, and theft of property; or it can be used to plan or manage a crime. In such crimes, the criminal offense is clear: The perpetrator is directly gaining money or property for himself or another and uses the computer in the act. In the second category, the computer is the object of a crime, such as sabotage, theft or alteration of computerized data, and theft of computer services. In the latter category, data represent money directly, for instance in Electronic Fund Transfer Systems, or indirectly in the costs of replacing erased or altered data or the costs represented by the loss if data are disclosed or used without authorization. Thus, underlying the definition of computer crime is the concept that data represent money." (Extract from Appendix Q)

A growing number of states have concluded that special computer crime legislation in one form or another is needed (see Lautsch report, Appendix A). Some have adopted legislation patterned after the model proposed by the National Association for State Information Systems (NASIS). Its "Guidelines for Development of Computer Crime Legislation", a 1979 publication with sample bill attached is Appendix N. The Alaska bill in the Twelfth Legislature, HB 419 (Appendix O), is a somewhat over-simplified version of that model bill. (The NASIS model was also included in 1981 Suggested State Legislation of the Council of State Governments.)

Attached as Appendix P are computer crime statutes of the states that have enacted statutes in the category.

Although no one denies there is computer crime, its relative incidence is disputed. Director of the National Computer Crime Data Center Jay Becker, one of the authorities in the field, asserts that

> Non-reporting represents a serious problem in the area of computer crime--far more than is even the case with white-collar

> crime in general. IBM and the U.S. Chamber of Commerce estimate that no more than 15% of all computer crime is reported. Several reasons appear to lie at the base of this non-reporting. A primary one is the fear on the part of businesses that admitting their computer's fallibility will have a severe effect on their customers' confidence in the business operations. Additionally, businesses may well assume that local law enforcement agencies do not have the expertise to deal with computer crimes. The third possible factor is the absence of the usual 'old boy' networks through which company security personnel might become familiar with local law enforcement officers who are interested and experienced in investigating computer crime cases.

A good overview of the problems to be met by enacting computer crime statutes--as well as some analysis of existing state laws--is a paper prepared for an International Commercial Crime Conference, October 1981, by Donn Parker of SRI International, Appendix Q. It is a guide to the kinds of computer abuses that criminal laws seek to control.

Bringing a local focus to these problems, Carl Krefting, Deputy Director of the Division of Data Processing in the Alaska Department of Administration, has put together scenarios--computer abuses that can occur, and in some instances have occurred, in use of the state's computers (Appendix R).

Any number of articles in the popular press have covered certain spectacular computer crimes and attempted computer crimes. A sample from Business Week, April 20, 1981, pp. 81-92 is enclosed as Appendix S. It includes discussion of such popular subjects as the $21.3 million embezzlement by computer from Wells Fargo Bank. But for the purpose of our study, the following in its discussion of encryption (scrambling) is more striking:

> Some vendors have had more luck selling encryption to security-minded oil companies, possibly becuase the only known tap on a data line involved information on oil lease bids that was stolen during transmission from an oil company's computer in Texas to its terminal in Alaska. The victimized company, which private investigators refuse to identify, became suspicious when it

was narrowly outbid at many lease sales. It commenced an investigation that turned up a wiretap a few miles down the road from its Alaska terminal.

Television, too, has had its share of spectaculars about computer crime. One is a well done NOVA program on PBS, a transcript of which is retained and available upon request of the code revision office.

The amount of material available on computer crime makes selection difficult. However, if one is seeking a single guide a 1979 Criminal Justice Resource Manual on Computer Crime, published by the Bureau of Justice Statistics, U.S. Department of Justice, is a suitable single source. The "Executive Summary and Guide" and table of contents of its 400 pages are attached as Appendix T. The volume is retained for use through the code revision office, Juneau, and additional copies are readily available.

Near the start of this report we mention the "Nelson Bill", HR 1092 in the 98th Congress, a bill that would create a "Federal Computer Systems Protection Act of 1983". The bill and the materials used by Representative Nelson of Florida in explaining the purpose of the bill are Appendix U. In a hearing on HR 3970, an earlier version of the bill, in September 1982, there was only luke warm support for it. At that hearing, Representative Nelson asserted that studies dealing with the need for federal legislation on computer crime are requested of the Library of Congress and the Office of Technology Assessment. We have asked for copies of the studies when they are available, and we will be mailed a copy of the hearing transcript when it is printed. When received, these things will be retained and available in the code revision commission office as a part of this study.

Generally Alaska's criminal laws relating to information do not deal with information in computers as a separate

species. The crime of tampering with public records (AS 11.56.-820, Appendix V) is general without special reference to computers. As noted later in this report, any state records are confidential. However, computer storage of and access to these records has not brought about special statutes. The misuse of public records is a general crime (AS 11.56.860, also in Appendix V) and misuse of confidential records is also made a crime in the various statutes relating to specific confidential records. But computerized records are not separately covered, with the exceptions noted below.

Although it is mentioned in the section on privacy earlier in this report, we refer again to the Alaska Justice Information System (AJIS) and note that it establishes both civil and criminal penalties for breaching the privacy provisions of AS 12.62. (Reference Appendix E, especially AS 12.62.010)

Existing Alaska criminal law especially directed toward computers includes AS 11.46.985:

> Sec. 11.46.985. DECEIVING A MACHINE. In a prosecution under this chapter for an offense that requires 'deception' as an element it is not a defense that the defendant deceived or attempted to deceive a machine. For purposes of this section, 'machine' includes a vending machine, computer, turnstile, or automated teller machine.

A part of the general criminal code revision that took effect in 1980, it is unique among state laws. Its effectiveness has not been tested.

Perhaps more significant is an amended definition of intangible property in ch. 143, SLA 1982. As revised the definition that applies throughout the criminal code, AS 11, is:

> Sec. 11.81.900(b)(44) 'property' means an article, substance, or thing of value, including money, tangible and intangible personal property <u>including data or information stored in a computer program, system, or network</u>, real property, a credit card, a <u>domestic pet or livestock regardless of value,</u>

> choses-in-action, and evidence of debt or of contract; [,] a commodity of a public utility such as gas, electricity, steam, or water constitutes property but the supplying of such a commodity to premises from an outside source by means of wires, pipes, conduits, or other equipment is considered a rendition of a service rather than a sale or delivery of property; (The 1982 insertions and deletions are shown.)

Although the amendment seems no more than a clarification of existing law, its effect is to evoke possible prosecutions of computer-related property crimes that might not have been successfully prosecuted under the former definition.

A printout of the many criminal statutes that are affected by this amendment to the definition of "property" is retained in the code revision commission office, and it may be readily duplicated on the legislature's computer and provided to a user of this report. For a ready concept of the pervasiveness of property crimes that can be "computer crimes" by virtue of AS 11.81.900(b)(44), following are the titles of the code sections affected by the revised definition:

Sec. 11.41.510.	ROBBERY IN THE SECOND DEGREE.
Sec. 11.41.520.	EXTORTION.
Sec. 11.41.530.	COERCION.
Sec. 11.46.100.	THEFT DEFINED.
Sec. 11.46.110.	CONSOLIDATION OF THEFT OFFENSES: PLEADING AND PROOF.
Sec. 11.46.120.	THEFT IN THE FIRST DEGREE.
Sec. 11.46.130.	THEFT IN THE SECOND DEGREE.
Sec. 11.46.140.	THEFT IN THE THIRD DEGREE.
Sec. 11.46.150.	THEFT IN THE FOURTH DEGREE.
Sec. 11.46.160.	THEFT OF LOST OR MISLAID PROPERTY.
Sec. 11.46.180.	THEFT BY DECEPTION.
Sec. 11.46.190.	THEFT BY RECEIVING.
Sec. 11.46.200.	THEFT OF SERVICES.
Sec. 11.46.210.	THEFT BY FAILURE TO MAKE REQUIRED DISPOSITION OF FUNDS RECEIVED OR HELD.
Sec. 11.46.220.	CONCEALMENT OF MERCHANDISE.
Sec. 11.46.230.	REASONABLE DETENTION AS DEFENSE.
Sec. 11.46.260.	REMOVAL OF IDENTIFICATION MARKS.
Sec. 11.46.270.	UNLAWFUL POSSESSION.
Sec. 11.46.280.	ISSUING A BAD CHECK.
Sec. 11.46.285.	FRAUDULENT USE OF A CREDIT CARD.
Sec. 11.46.290.	OBTAINING A CREDIT CARD BY FRAUDULENT MEANS.
Sec. 11.46.300.	BURGLARY IN THE FIRST DEGREE.
Sec. 11.46.310.	BURGLARY IN THE SECOND DEGREE.

Sec. 11.46.320.	CRIMINAL TRESPASS IN THE FIRST DEGREE.
Sec. 11.46.330.	CRIMINAL TRESPASS IN THE SECOND DEGREE.
Sec. 11.46.340.	DEFENSE: EMERGENCY USE OF PREMISES.
Sec. 11.46.400.	ARSON IN THE FIRST DEGREE.
Sec. 11.46.410.	ARSON IN THE SECOND DEGREE.
Sec. 11.46.430.	CRIMINALLY NEGLIGENT BURNING.
Sec. 11.46.450.	FAILURE TO CONTROL OR REPORT A DANGEROUS FIRE.
Sec. 11.46.480.	CRIMINAL MISCHIEF IN THE FIRST DEGREE.
Sec. 11.46.481.	CRIMINAL MISCHIEF IN THE SECOND DEGREE.
Sec. 11.46.482.	CRIMINAL MISCHIEF IN THE SECOND DEGREE.
Sec. 11.46.484.	CRIMINAL MISCHIEF IN THE THIRD DEGREE.
Sec. 11.46.486.	CRIMINAL MISCHIEF IN THE FOURTH DEGREE.
Sec. 11.46.488.	LITTERING.
Sec. 11.46.500.	FORGERY IN THE FIRST DEGREE.
Sec. 11.46.505.	FORGERY IN THE SECOND DEGREE.
Sec. 11.46.510.	FORGERY IN THE THIRD DEGREE.
Sec. 11.46.520.	CRIMINAL POSSESSION OF A FORGERY DEVICE.
Sec. 11.46.530.	CRIMINAL STIMULATION.
Sec. 11.46.540.	OBTAINING A SIGNATURE BY DECEPTION.
Sec. 11.46.550.	OFFERING A FALSE INSTRUMENT FOR RECORDING.
Sec. 11.46.570.	CRIMINAL IMPERSONATION.
Sec. 11.46.600.	SCHEME TO DEFRAUD.
Sec. 11.46.620.	MISAPPLICATION OF PROPERTY.
Sec. 11.46.630.	FALSIFYING BUSINESS RECORDS.
Sec. 11.46.660.	COMMERCIAL BRIBE RECEIVING.
Sec. 11.46.670.	COMMERCIAL BRIBERY.
Sec. 11.46.710.	DECEPTIVE BUSINESS PRACTICES.
Sec. 11.46.720.	MISREPRESENTATION OF USE OF A PROPELLED VEHICLE.
Sec. 11.46.730.	DEFRAUDING CREDITORS.
Sec. 11.46.980.	DETERMINATION OF VALUE; AGGREGATION OF AMOUNTS.
Sec. 11.46.985.	DECEIVING A MACHINE.
Sec. 11.46.990.	DEFINITIONS.
Sec. 11.56.510.	INTERFERENCE WITH OFFICIAL PROCEEDING.
Sec. 11.56.800.	MAKING A FALSE REPORT.
Sec. 11.61.100.	RIOT.
Sec. 11.61.210.	MISCONDUCT INVOLVING WEAPONS IN THE SECOND DEGREE.
Sec. 11.66.130.	PROMOTING PROSTITUTION IN THE THIRD DEGREE.
Sec. 11.66.270.	FORFEITURE.
Sec. 11.66.280.	DEFINITIONS.
Sec. 11.81.250.	CLASSIFICATION OF OFFENSES.
Sec. 11.81.350.	JUSTIFICATION: USE OF FORCE IN DEFENSE OF PROPERTY AND PREMISES.
Sec. 11.81.615.	OFFENSES DEFINED BY AGE OR VALUE.

Against these two Alaska criminal statutes--AS 11.46.-985 and AS 11.81.900(b)(44)--and their effect upon other Alaska criminal statutes one can juxtapose the nearest thing to a "model" law on computer crime. It is contained in a 1979 report of the Standing Committee on Security, Privacy and Confidentiality of the National Association for State Information Systems. The re-

port, called "Guidelines for Development of Computer Crime Legislation" has been referred to earlier in this section and is Appendix N.

This sample law, modeled after the Florida Computer Crimes Act, Fla. Stat. Ann., §§ 815.01--815.07 (West Supp.), is a suitable prototype for Alaska, assuming, after a study of the foregoing report, a finding by the legislature that there is a need in Alaska for legislation making crimes of

(1) misconduct involving the intellectual property that is in a computer (like confidential or secret information) or used with a computer (like a program),

(2) misconduct involving computer equipment or supplies (damaging, sealing, modifying it),

(3) misconduct involving computer usage.

The model (NASIS) act makes separate crimes of misconduct in these three areas.

It is the tentative view of the code revision commission that a statute like the NASIS sample is desirable to fill gaps in Alaska's criminal law. However, this report has not yet been circulated. We believe the report will best serve a useful purpose if it leaves questions open until more persons actively involved in the subject areas of the report have been heard from.

Should the legislature so direct, the code revision commission can circulate the report for review and written comment during the interim between sessions and provide what is received to an appropriate committee of the legislature as it convenes in 1984.

It is likely, too, that more helpful material on computer crime will become available during the interim. Due late in the summer or in early fall is a report being prepared by Jay BloomBecker, Director of the National Center for Computer Crime Data, for the U.S. Senate Judiciary Committee. It will

list the experience of the various states with their computer crime statutes, and should be relevant to Alaska's legislative decision-making. The studies being done for the U.S. House Judiciary Committee, earlier referred to, may also be completed before the second session of our Thirteenth Legislature. Legislatures, state and national, are feeling their way. As more evidence comes in, we will provide it.

Introduced: 1/18/83
Referred: State Affairs and Judiciary

BY THE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE COUNCIL (for the Blue Ribbon Commission on the State Personnel Act)

IN THE SENATE

SENATE BILL NO. 59

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to government interests in intellectual work products developed at the expense of the state."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 39 is amended by adding a new chapter to read:

CHAPTER 52. INTELLECTUAL PROPERTY DEVELOPED AT THE EXPENSE OF THE STATE.

Sec. 39.52.010. RIGHT TO PATENTABLE INVENTIONS INTELLECTUAL WORK PRODUCT. (a) Except as provided in AS 39.52.040 and AS 14.40.345, all right, title, and interest in and to an intellectual work product of any kind that is subject to the trademark, copyright, or patent laws of the United States or this state or any foreign country that is developed by a public officer or employee or a person under contract with the state is the property of the state if developed

(1) during working hours;

(2) with the contribution of the state beyond what is available to the public in general in the form of facilities, equipment, materials, money, or information, or of time or services of another public officer or employee in the course of state employment or another person under contract with the state; or

(3) in connection with the official duties of the public officer or employee or the person under contract, including but not limited to circumstances in which the public officer or employee or the person is employed or assigned to

(A) produce or improve an intellectual work product;

(B) conduct or perform research, development work, or both;

(C) supervise, direct, coordinate, or review state financed or conducted research, development work, or both; or

(D) act in a liaison capacity among governmental or nongovernmental agencies or individuals engaged in such work.

(b) If a public officer or employee or a person under contract with the state develops an intellectual work product that is the property of the state, the developer is obligated to

(1) fully and promptly disclose the intellectual work product to the Alaska Council on Science and Technology (AS 44.21.-241); (or supervisor),

(2) assign to the state the ~~entire~~ right, title, and interest in and to the intellectual work product if not already waived by signing of a general waiver upon commencement of employment in accordance with AS 39.05.160 or as part of a contract for services; and

(3) upon request by the council, execute and reasonably assist in the prosecution of an application for a trademark, copyright, or patent.

(c) If the state has a right to an intellectual work product under (a) of this section but the council decides that it is inadvisable to prosecute an application for trademark, copyright, or patent, the council, on behalf of the state, may, after consultation with affected state agencies,

(1) waive all right, title, and interest in and to the intellectual work product; or

(2) waive all right, title, and interest in and to a trademark, copyright, or patent but reserve a nonexclusive, irrevocable,

royalty-free license in the intellectual work product with power to grant licenses for all governmental purposes.

Sec. 39.52.020. COUNCIL AUTHORIZED TO GRANT MONETARY RECOGNITION FOR CREATION OF INTELLECTUAL WORK PRODUCT. (a) The council is authorized to give monetary recognition to a public officer or employee who develops an intellectual work product that is the property of the state and who discharges the obligations set out in AS 39.52.010.

(b) The council shall determine the guidelines, terms, and conditions, as well as amount, source, distribution, and manner of payments under (a) of this section. The council shall consider the actual or potential value of the intellectual work product in terms of revenue or reduced operating costs to the state.

Sec. 39.52.030. ARBITRATION OF DISAGREEMENTS. (a) Disagreements between a public officer or employee or a person under contract with the state and the council pertaining to ownership of an intellectual work product or obligations of the respective parties shall be disposed of by

(1) voluntary arbitration of all relevant issues, if the disagreeing parties agree to be bound by the decision upon arbitration;

(2) compulsory arbitration if that is provided for in any applicable contract between the disagreeing parties; or

(3) recourse to the court if arbitration cannot be resorted to.

(b) The council is authorized to make contracts for compulsory arbitration on behalf of the state.

(c) If arbitration is used to settle disagreements, the provisions of AS 09.43 (Uniform Arbitration Act) shall govern.

Sec. 39.52.040. EXCEPTIONS. The provisions of this chapter do

not apply to a public officer or employee associated with or a person under contract with the University of Alaska. Those persons shall be governed by th provisions of AS 14.40.345. The provisions of this chapter do not apply to a member of the legislature.

Sec. 39.52.050. ADOPTION OF RULES. The council may adopt rules implementing the provisions of this chapter in accordance with the Administrative Procedure Act (AS 44.62).

Sec. 39.52.099. DEFINITIONS. As used in this chapter, unless the context otherwise requires,

(1) "council" means the Alaska Council on Science and Technology established in AS 44.21.241;

(2) "intellectual work product" means any product of the mind including but not limited to the following:

(A) discovery, invention, or idea;

(B) process, system, or method;

(C) machine, manufacture, or product;

(D) composition of matter;

(E) design or composition in letters, art, or graphics;

(F) literary, dramatic, musical, educational, or artistic work;

(G) certification mark, trademark, patent, or copyright.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.345. INTELLECTUAL PROPERTY DEVELOPED AT THE EXPENSE OF THE UNIVERSITY. All right, title, and interest in and to an intellectual work product developed by a public officer or employee associated with or a person under contract with the University of Alaska is the property of the university in accordance with a general policy

established by the university. The policy adopted by the University of Alaska may provide for ownership, control, management, and disposal of intellectual work products by an independent foundation created for the purpose of obtaining intellectual work products, receiving gifts, administering or disposing of interests in intellectual work products, and promoting research.

* Sec. 3. AS 39.05 is amended by adding a new section to read:

ARTICLE 5. WAIVER OF RIGHT TO INTELLECTUAL PROPERTY.

Sec. 39.05.160. WAIVER OF RIGHT TO INTELLECTUAL PROPERTY. (a) A public officer or employee of the state, before engaging in the duties of the office or employment, shall sign a waiver of all right, title, and interest in and to an intellectual work product that may be developed by the officer or employee at the expense of the state as set out in AS 39.52.

(b) Notwithstanding the requirement in (a) of this section, the state, in accordance with AS 39.52.020, may share a portion of the resulting revenue with or grant a cash award for resulting reductions in operating costs to a public officer or employee who develops an intellectual work product at the expense of the state.

(c) A public officer or employee may be required to sign, before engaging in the duties of the office or employment, an acknowledgement that the public officer or employee will not receive a share of the revenue or reduction in operating costs attributable to an intellectual work product developed as a duty of the office or employment.

(d) The waiver under (a) of this section and the acknowledgement under (c) of this section are not considered terms and conditions of employment that are subject to negotiation for purposes of collective bargaining under the Public Employment Relations Act (AS 23.40).

* Sec. 4. AS 44.21.242(b) is amended by adding new paragraphs to read:

(9) consistent with the provisions of AS 39.52, retain, assign, license, transfer, sell, or otherwise dispose of, in whole or in part and upon terms that the council may direct, any and all rights to, interests in, or income from intellectual work products acquired by the council under AS 39.52;

(10) adopt rules implementing the provisions of AS 39.52.

* Sec. 5. AS 37.12.070(9) and AS 46.12.110(10) are repealed.

Alaska State Legislature

BLUE RIBBON COMMISSION ON THE
STATE PERSONNEL ACT

Senator Bill Ray, Chairman

Pouch YG
Mail Stop 3723
Juneau, Alaska 99811
(907) 465-4442

JUNEAU, ALASKA

MEMORANDUM

January 25, 1983

TO: Senate State Affairs Committee

FROM: Teresa B. Cramer Teresa B Cramer
Administrative Assistant

SUBJECT: Senate Bill 59 - Government Interests in Intellectual Work Products Developed at the Expense of the State

The Blue Ribbon Commission is proposing legislation to create and protect the state's interest in inventions, discoveries and creations developed by state employees or contractors during their employment or developed with the use of state facilities or resources.

The commission became interested in the issue when an employee of the Department of Fish and Game testified about employment problems arising from his patenting of a production scale salmon incubator. He had begun developing the incubator before he accepted employment with the state. He began working for the department and continued his project after securing advice from the Department of Law concerning avoiding the potential conflict of interest. His job for Fish and Game was closely related to the development of incubators. The employee stated that he created the incubator on his own time. He then patented it and sold the patent to a private corporation which marketed it. Thereafter, the department was required to pay royalties for use of the process.

The employee has filed several grievances over poor performance evaluations, lost promotional opportunities, and an alleged retaliatory layoff which he believed resulted from his patenting the invention. The department testified that there had been considerable morale problems because other employees believed that they had contributed to the development of the process. They thought it unfair that one individual could secure a patent and potentially profit from an invention in which others had participated and in which the state should have an interest.

The Blue Ribbon Commission is concerned that there is no statute protecting the state's interest in the inventions, discoveries and creations made by its employees or made through the use of its facilities. Legislation for the Alaska Energy Center and the Alaska

Resources Corporation gives each agency the authority to hold patents. Nothing in either chapter spells out how the state acquires that interest.

While the proposed legislation does not specifically address the situation which occurred in the Department of Fish and Game, the commission believes that this system would alleviate similar problems in the future. Information about the number of conflict of interest hearings before the Personnel Board indicates that there will probably be no more than two or three applications of the bill per year.

Bill Analysis

Page 1 Line 10	The first section of the proposed legislation gives the state all right, title and interest in any intellectual work product developed during working hours or with the use of state facilities or by employees whose duties include responsibility for research.
Page 4 Line 12	"Intellectual work product" is broadly defined later in the bill to include anything which is subject to patent, trademark or copyright laws.
Page 2 Line 8	A state employee or person under contract with the state is obliged to disclose the development of an intellectual work product to the Alaska Council on Science and Technology and to assign any interest in it to the state. If requested, the person is required to assist the Council in applying for a trademark, patent or copyright. The commission believes that the Council is the most appropriate existing state agency to administer the program.
Page 2 Line 21	The Council is given broad discretion to decide whether to pursue patenting, trademarking, or copyrighting the invention after consultation with affected state agencies. The Council may waive any state interest in the discovery or may waive all interest but retain a royalty-free license in the intellectual work product so that the state would not have to pay for its use in the future. If the state waives its interest, then the inventor would be able to pursue protection of his own interest in the discovery.
Page 3 Line 3	The proposed legislation gives the Council authority to grant monetary recognition to employees who develop an intellectual work product. The recognition could be in

the form of a cash award, a share in any royalties generated by the invention, or in any other manner the Council found appropriate. Payment would, of course, be subject to legislative appropriation. The commission believes that the Council should have wide discretion in implementing the monetary award system in order to best encourage employees in their work and serve the state's interests.

Page 3 Line 13 — Any disagreements between an employee and the state pertaining to ownership of an intellectual work product would be subject to voluntary arbitration if the parties agreed to be bound by the result. If not, then the disagreement could be settled in court. In addition, the state and the employee or contractor may enter into an employment contract which requires compulsory arbitration.

Page 3 Line 29 — Legislators and employees of the University of Alaska are exempted from the chapter. The University has its own policy on intellectual property developed at its expense which is codified in section 2 of the proposed legislation.

Page 4 Line 5 — The Council is granted rule-making authority for the chapter in accordance with the Administrative Procedure Act.

Page 4 Line 24 — Section 2 of the legislation adds language to codify the University of Alaska's right to intellectual work products developed by its employees.

Page 5 Line 7 — Section 3 requires state employees to waive their interest in intellectual work products developed at the expense of the state as set out in section 1 of the bill. The waiver is not subject to negotiation under the Public Employment Relations Act.

Page 5 Line 21 — Section 4 amends the Alaska Council on Science and Technology statutes to add the powers and responsibilities granted by the proposed legislation.

Page 6 Line 7 — Section 5 repeals the patenting powers currently granted to the Alaska Energy Center and the Alaska Resources Corporation. The commission believes that there should be a single system which applies to all legislative, judicial and executive branch employees of the state.

Alaska Public
Employees Association APEA
State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

TO: Senator Vic Fischer

FROM: Cherie Shelley CS
Executive Director

RE: Intellectual work products developed by state employees, SB 59.

DATE: March 14, 1983

SB 59 would dramatically alter the current law with regard to ownership of intellectual property developed in connection with state service. The employer will reap a benefit much greater than is currently allowed at the expense of the employee who is responsible for the development of the idea.

This is not an improper result in all circumstances, but the proposed bill would go much further than is in the state's best interest. A careful review of the present state of the law and SB 59 bears this out.

Briefly stated, the current law is that the employer obtains all rights to the intellectual work product only if the employee was hired to invent, write, design, or to otherwise provide the employer with the intellectual work product that is eventually developed. However, if the employee is not hired to do original work of this type but does it on work time or using materials or facilities of the employer, then the employer gets only "shop rights" in the product. This means the employer gets the non-transferable right to use the product for its purposes without cost.

Inventions or products would remain the sole and exclusive property of the employee if developed outside of work time and without the employer's aid.

Federal employees fall under a federal regulation that follows the

Fairbanks Field Office
825-D College Road
Fairbanks, AK 99701
Telephone: (907) 456-5412

Anchorage Field Office
833 Gambell Street, Suite A
Anchorage, AK 99501
Telephone: (907) 274-1688

Juneau Field Office
227 4th Street
Juneau, AK 99801
Telephone: (907) 586-6305

law as explained above. The federal regulation provides that the government gets certain rights to an invention made:

1) during working hours,

2) with a contribution by the Government of facilities, equipment, materials, funds or information, or of time or services of other Government employees on official duty, or

3) which bears a direct relation to or is made in consequence of the official duties of the inventor." 37 CFR 100.6(b)(1).

This is practically identical to the proposed language of SB 59. However, the federal provision goes on to say that only an employee who is employed or assigned:

1) to invent or improve or perfect any art, machine, design, manufacture, or composition of matter,

2) to conduct or perform research, development work, or both,

3) to supervise, direct, coordinate, or review Government financed or conducted research, development work, or both, or

4) to act in a liasion capacity among governmental or non-governmental agencies or individuals engaged in such research or development work... will be required to transfer to the Government all their interest in the invention. 37 CFR 100.6(b)(3).

Employees not hired in a capacity related to inventing but using government resources must give only "a non-exclusive irrevocable, royalty-free license in the invention with power to grant licenses for all government purposes." 37 CFR 100.6(b)(2). Again, note the similar language in the proposed legislation.

To summarize the federal law, if work is done by an employee on government time or with government resources, the invention will be government property only if the person was employed in a research/development capacity. If not, then the government gets an irrevocable license to use the invention without cost. If the work was done without government aid or support, then the invention is the sole property of the employee without license or other rights in the government. This follows very closely the law applicable to all

private sector employers.

On the other hand, SB 59 would give the state the right to all inventions if the state provided any support or aid at all for its development, regardless of the fact that the employee may not have been hired or told to produce inventions. The bill would make state employees a third class of citizen behind private sector employees and federal employees, insofar as their rights to the product of their own minds is considered.

There are sound policy considerations developed through the years that lay behind the courts' refusal to give employers the right to claim all inventions made by their employees. In United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933), the court considered and rejected the government's argument that public employment should be treated differently than private employment, noting that the government has no more right to take an employee's intellectual property than it has to take his real estate by virtue of government employment. p. 191.

The court also noted that the effect of a policy such as that proposed in SB 59 would be to take any incentive away from public employees to develop new concepts and ideas that may have proven useful to the government and public generally. Further:

> It would, on the one hand, render difficult securing the best sort of technical men for the service and, on the other, would influence technical workers to resign in order to exploit inventions which they might evolve and suppress while still in the service. There has always been more or less of a tendency for able men in the service to do this, particularly in view of the comparative meagerness of Government salaries; thus the Government has suffered loss among its most capable class of workers. p.207.

In summary it should be noted that the proposed legislation will have the effect of discouraging the development of new ideas among state workers and encourage those who discover or complete an invention to leave state service in order to obtain the benefits of their work. Unfortunately, those employees with the initiative and intelligence to come up with original ideas are the kind the state can least afford to lose.

We suggest that SB 59 not be passed in its present form because it goes too far. The current law as interpreted and applied by the courts provides the state with all the protection that is required. However, it is in the state's best interests to have some

established incentive plan for employees who develop new ideas and concepts that materially benefit the state as appears in proposed AS 39.52.020, so this provision or one like it should be retained.

Please find attached a language proposal which is patterned on the federal incentive program, with the discretion to grant awards limited by tying them to the value of the contribution or service.

"PROPOSED LEGISLATION"

Section 39.52.020. An agency or department of the state is authorized to give monetary recognition to an employee who, by suggestion, invention, superior accomplishment, or other personal effort contributes to the efficiency, economy, or other improvement of government operations, or who performs a special act or service in the public interest in connection with or related to official employment.

Section 39.52.021. Monetary recognition under AS 39.52.020 may not exceed $10,000 except in the event the award is in recognition of highly exceptional and unusually outstanding contribution or service under AS 39.52.020, in which event the award may not exceed $25,000. Awards in excess of $10,000 require the approval of the governor.

Section 39.52.022. Monetary recognition under 39.52.020 is in addition to the regular pay of the recipient. Acceptance of monetary recognition constitutes an agreement that the use by the state of a suggestion, idea, method, device or other intellectual work product as defined in AS 39.52.099 for which the recognition is given does not form the basis of a further claim against the state by the employee, ~~his~~ heirs, or assigns.

Policy for intellectual work products.

1) applicable to only those who are assigned to do research, inventions, etc....

Incentive ~~-RB~~ ad personality free as possible: least amt of distortion.

1) award based on
   - A) monetary value to student or
   - B) ~~reward~~ recommendation of supervisor) or
   - C) application to board of 1) ~~consultants~~ ACET, 2) Businesspersons.

Section 39.52.023. To the extent a contribution or service results in a measurable economic benefit to the state, the employee shall receive a monetary award equal to no less than ten percent of the total savings to the state, subject to the limitations set forth in 39.52.021. This does not limit or bar monetary recognition for contributions or services not subject to economic evaluation or measurement, which may still be awarded under 39.52.020.

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS COMMITTEE
SENATOR VIC FISCHER, CHAIRMAN
POUCH V, JUNEAU 99811
(907) 465-4954

Sectional Analysis SB 59

April 19, 1983
Prepared by: Suzanne Tryck,
Senate State Affairs Committee

Section 1: Adds a new chapter to Title 39 (chapter 52). Section (a) of that chapter gives the state all right and title to intellectual work products developed on state time, with state facilities, or by employees or persons under contract with the state whose duties may include responsability for research. → Actual

Page 2, line 8 (b) relates the responsabilities of the developers of intellectual work products as defined in (a) above. These responsabilities include:

(1) disclosing the intellectual work product to the Alaska Council on Science and Technology.
(2) assigning all right and title to the product to the state, and signing a waiver to that effect upon commencment of employment with the state.
(3) assisting the state in applying for a trademark, copyright, or patent.

(c) The state need not to apply for a trademark etc... if the council deems it inadvisable. The council may waive all state interest in the product or may waive all interest but retain a royalty-free license in the intellectual work product so that the state would not have to pay for its use in the future.

Page 3, line 3 Adds another section to chapter 52 (AS 39.52.030) authorizing the council to grant monetary recognition to state employees who develop an intellectual work product, and allowing the council to determine the terms and amount of payment.

Page 3, line 13 Sec. 39.52.030 is created to address disagreements between the state and the developers of the intellectual work products. These disagreements can be settled by voluntary binding arbitration, in court, or by compulsory arbitration. Subsection (b) gives the council the authority to make contracts for compulsory arbitration.

Page 3, This section exempts U. of Alaska employees and

line 29 public officers from this chapter.

Page 4, line 5 This section determines that the adoption of rules by council in implementing this chapter must be in accordance with the Administrative Procedures Act.

Page 4, line 8 This section defines "intellectual work product" and "council."

Section 2: states that the intellectual work products developed by employees of the U. of Alaska are the property of the university as determined by the general policy of the university.

Section 3: adds a new section to Title 39 which requires state employees to waive the right to their intellectual work products as defined in Section 1 of this legislation. This waiver is ot subject to negotiation under Public Employees Relations Act.

Section 4: Adds to the statutes on the Alaska Council on Science and Technology the powers and authority in accordance with the proposed legislation.

Section 5: Repeals the patenting powers of the Alaska Energy Center and the Alaska Resources Corporation.

STATE OF ALASKA
FISCAL NOTE

Revision Date 4/19 , 1983

I. REQUEST

Bill/Resolution No.: SB 59
Title: An act relating to...intellectual work products...at the expense of the state
Sponsor: Rules by request of the legislative
Requestor: Council for the Blue Ribbon Commission...

II. FISCAL DETAIL

Agency Affected: Dept. of Administration
Program Category Affected: General Government
BRU, Program of Subprogram(s) Affected: AK Council on Science & Technology

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		50.0	50.0	50.0	50.0	50.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		50.0	50.0	50.0	50.0	50.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		50.0	50.0	50.0	50.0	50.0
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Christopher Noah, Executive Director
Phone: 465-3510
Division: Alaska Council on Science and Technology
Date: April 19, 1983

Approved by Commissioner: Commissioner Lisa Rudd
Date: April 19, 1983
Department: Department of Administration

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3/8/83

Check what other states do about intellectual work products

Problems w/ SB59.

1) The product developed by the employer does not need to be connected whatsoever to that persons employment for the product to belong to the state.

2) The reward system in this bill is nebulous. ~~The~~ AEST may or may not reward the person for their product. ~~The~~ This is open for discrimination (perhaps, based on personalities)

3) It is possible under SB59, for ~~an idea to~~ any innovative product (the property of the State) to sit and remain undeveloped as it isn't economically feasible for the state. The person developing the idea will not be able to go alt and develop the idea, a product, or what have you.

4) ~~The isn't is a~~
This bill doesn't provide any way of measuring value of an intellectual work product ~~for~~ for the purposes of rewarding the developer, or for providing an incentive.

Senator ~~Rae~~ Bodey -
felt that we should look into this problem. Outline some work.

- University handles this problem
- Other states handle this problem
- See Acct.

1) Get some comment from The University.

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS COMMITTEE
SENATOR VIC FISCHER, CHAIRMAN
POUCH V, JUNEAU 99811
(907) 465-4954

Sectional Analysis SB 59

April 19, 1983
Prepared by: Suzanne Tryck,
Senate State Affairs Committee

Section 1: Adds a new chapter to Title 39 (chapter 52). Section (a) of that chapter gives the state all right and title to intellectual work products developed on state time, with state facilities, or by employees or persons under contract with the state whose duties may include responsability for research.

Page 2, line 8 (b) relates the responsabilities of the developers of intellectual work products as defined in (a) above. These responsabilities include:

(1) disclosing the intellectual work product to the Alaska Council on Science and Technology.
(2) assigning all right and title to the product to the state, and signing a waiver to that effect upon commencment of employment with the state.
(3) assisting the state in applying for a trademark, copyright, or patent.

(c) The state need not to apply for a trademark etc... if the council deems it inadvisable. The council may waive all state interest in the product or may waive all interest but retain a royalty-free license in the intellectual work product so that the state would not have to pay for its use in the future.

Page 3, line 3 Adds another section to chapter 52 (AS 39.52.030) authorizing the council to grant monetary recognition to state employees who develop an intellectual work product, and allowing the council to determine the terms and amount of payment.

Page 3, line 13 Sec. 39.52.030 is created to address disagreements between the state and the developers of the intellectual work products. These disagreements can be settled by voluntary binding arbitration, in court, or by compulsory arbitration. Subsection (b) gives the council the authority to make contracts for compulsory arbitration.

Page 3, This section exempts U. of Alaska employees and

line 29 public officers from this chapter.

Page 4, line 5 This section determines that the adoption of rules by council in implementing this chapter must be in accordance with the Administrative Procedures Act.

Page 4, line 8 This section defines "intellectual work product" and "council."

Section 2: states that the intellectual work products developed by employees of the U. of Alaska are the property of the university as determined by the general policy of the university.

Section 3: adds a new section to Title 39 which requires state employees to waive the right to their intellectual work products as defined in Section 1 of this legislation. This waiver is not subject to negotiation under Public Employees Relations Act.

Section 4: Adds to the statutes on the Alaska Council on Science and Technology the powers and authority in accordance with the proposed legislation.

Section 5: Repeals the patenting powers of the Alaska Energy Center and the Alaska Resources Corporation.

Introduced: 1/18/83
Referred: State Affairs and Judiciary

BY THE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE COUNCIL (for the Blue Ribbon Commission on the State Personnel Act)

IN THE SENATE

SENATE BILL NO. 59

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to government interests in intellectual work products developed at the expense of the state."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 39 is amended by adding a new chapter to read:

CHAPTER 52. INTELLECTUAL PROPERTY DEVELOPED AT THE EXPENSE OF THE STATE.

Sec. 39.52.010. RIGHT TO INTELLECTUAL WORK PRODUCT. (a) Except as provided in AS 39.52.040 and AS 14.40.345, all right, title, and interest in and to an intellectual work product of any kind that is subject to the trademark, copyright, or patent laws of the United States or this state or any foreign country that is developed by a public officer or employee or a person under contract with the state is the property of the state if developed

(1) during working hours;

(2) with the contribution of the state beyond what is available to the public in general in the form of facilities, equipment, materials, money, or information, or of time or services of another public officer or employee in the course of state employment or another person under contract with the state; or

(3) in connection with the official duties of the public officer or employee or the person under contract, including but not limited to circumstances in which the public officer or employee or the person is employed or assigned to

(A) produce or improve an intellectual work product;

(B) conduct or perform research, development work, or both;

(C) supervise, direct, coordinate, or review state financed or conducted research, development work, or both; or

(D) act in a liaison capacity among governmental or nongovernmental agencies or individuals engaged in such work.

(b) If a public officer or employee or a person under contract with the state develops an intellectual work product that is the property of the state, the developer is obligated to

(1) fully and promptly disclose the intellectual work product to the Alaska Council on Science and Technology (AS 44.21.-241);

(2) assign to the state the entire right, title, and interest in and to the intellectual work product if not already waived by signing of a general waiver upon commencement of employment in accordance with AS 39.05.160 or as part of a contract for services; and

(3) upon request by the council, execute and reasonably assist in the prosecution of an application for a trademark, copyright, or patent.

(c) If the state has a right to an intellectual work product under (a) of this section but the council decides that it is inadvisable to prosecute an application for trademark, copyright, or patent, the council, on behalf of the state, may, after consultation with affected state agencies,

(1) waive all right, title, and interest in and to the intellectual work product; or

(2) waive all right, title, and interest in and to a trademark, copyright, or patent but reserve a nonexclusive, irrevocable,

royalty-free license in the intellectual work product with power to grant licenses for all governmental purposes.

Sec. 39.52.020. COUNCIL AUTHORIZED TO GRANT MONETARY RECOGNITION FOR CREATION OF INTELLECTUAL WORK PRODUCT. (a) The council is authorized to give monetary recognition to a public officer or employee who develops an intellectual work product that is the property of the state and who discharges the obligations set out in AS 39.52.010.

(b) The council shall determine the guidelines, terms, and conditions, as well as amount, source, distribution, and manner of payments under (a) of this section. The council shall consider the actual or potential value of the intellectual work product in terms of revenue or reduced operating costs to the state.

Sec. 39.52.030. ARBITRATION OF DISAGREEMENTS. (a) Disagreements between a public officer or employee or a person under contract with the state and the council pertaining to ownership of an intellectual work product or obligations of the respective parties shall be disposed of by

(1) voluntary arbitration of all relevant issues, if the disagreeing parties agree to be bound by the decision upon arbitration;

(2) compulsory arbitration if that is provided for in any applicable contract between the disagreeing parties; or

(3) recourse to the court if arbitration cannot be resorted to.

(b) The council is authorized to make contracts for compulsory arbitration on behalf of the state.

(c) If arbitration is used to settle disagreements, the provisions of AS 09.43 (Uniform Arbitration Act) shall govern.

Sec. 39.52.040. EXCEPTIONS. The provisions of this chapter do

not apply to a public officer or employee associated with or a person under contract with the University of Alaska. Those persons shall be governed by the provisions of AS 14.40.345. The provisions of this chapter do not apply to a member of the legislature.

Sec. 39.52.050. ADOPTION OF RULES. The council may adopt rules implementing the provisions of this chapter in accordance with the Administrative Procedure Act (AS 44.62).

Sec. 39.52.099. DEFINITIONS. As used in this chapter, unless the context otherwise requires,

(1) "council" means the Alaska Council on Science and Technology established in AS 44.21.241;

(2) "intellectual work product" means any product of the mind including but not limited to the following:

(A) discovery, invention, or idea;

(B) process, system, or method;

(C) machine, manufacture, or product;

(D) composition of matter;

(E) design or composition in letters, art, or graphics;

(F) literary, dramatic, musical, educational, or artistic work;

(G) certification mark, trademark, patent, or copyright.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.345. INTELLECTUAL PROPERTY DEVELOPED AT THE EXPENSE OF THE UNIVERSITY. All right, title, and interest in and to an intellectual work product developed by a public officer or employee associated with or a person under contract with the University of Alaska is the property of the university in accordance with a general policy

established by the university. The policy adopted by the University of Alaska may provide for ownership, control, management, and disposal of intellectual work products by an independent foundation created for the purpose of obtaining intellectual work products, receiving gifts, administering or disposing of interests in intellectual work products, and promoting research.

* Sec. 3. AS 39.05 is amended by adding a new section to read:

ARTICLE 5. WAIVER OF RIGHT TO INTELLECTUAL PROPERTY.

Sec. 39.05.160. WAIVER OF RIGHT TO INTELLECTUAL PROPERTY. (a) A public officer or employee of the state, before engaging in the duties of the office or employment, shall sign a waiver of all right, title, and interest in and to an intellectual work product that may be developed by the officer or employee at the expense of the state as set out in AS 39.52.

(b) Notwithstanding the requirement in (a) of this section, the state, in accordance with AS 39.52.020, may share a portion of the resulting revenue with or grant a cash award for resulting reductions in operating costs to a public officer or employee who develops an intellectual work product at the expense of the state.

(c) A public officer or employee may be required to sign, before engaging in the duties of the office or employment, an acknowledgement that the public officer or employee will not receive a share of the revenue or reduction in operating costs attributable to an intellectual work product developed as a duty of the office or employment.

(d) The waiver under (a) of this section and the acknowledgement under (c) of this section are not considered terms and conditions of employment that are subject to negotiation for purposes of collective bargaining under the Public Employment Relations Act (AS 23.40).

* Sec. 4. AS 44.21.242(b) is amended by adding new paragraphs to read:

(9) consistent with the provisions of AS 39.52, retain, assign, license, transfer, sell, or otherwise dispose of, in whole or in part and upon terms that the council may direct, any and all rights to, interests in, or income from intellectual work products acquired by the council under AS 39.52;

(10) adopt rules implementing the provisions of AS 39.52.

* Sec. 5. AS 37.12.070(9) and AS 46.12.110(10) are repealed.

January 18 and referred to Labor & Commerce, State Affairs, then to Finance.

Intellectual Work Products (state property)

HOUSE BILL NO. 52, by the Rules Committee by Request of the Legislative Council (for the Blue Ribbon Commission on the State Personnel Act). Provides that all right, title, and interest in and to intellectual work products of any kind that are developed by public officers and employees or persons under state contract, is the property of the state if developed 1) during working hours; 2) with the contribution of the state in the form of facilities, equipment, materials, money or information, or of time or services of public employees; or in connection with the official duties of public or contract employees. Also provides for state ownership of intellectual work products developed by public or contract employees of the U of A, with the University establishing a general policy to provide for ownership, control, management, and disposal of such products.

Requires contract employees to disclose intellectual work products they develop to the Alaska Council on Science and Technology, assign the entire right, title and interest in the product if not

FROM THE LEGISLATIVE REPORTER

HB 52 (cont'd)

already waived, and, upon request of the Council, execute and reasonable assist in the presecution of an application for a trademark, copyright or patent. Authorizes the Council to give monetary recognition for public employee who develops a product. Outlines procedure for arbitration of disagreements between public employees and the Council to ownership of work products. Adds language to AS 39.05 (Public Officers and Employees. Qualifications, Appointment and Tenure), requiring employees to sign a waiver of rights to intellectual work products.

Repeals AS 37.12.070(9) (gives the Alaska Resources Corporation the power to hold , as a means of securing the providing of financial assistance, patents, copyrights, trademarks, royalties, or any other evidences of protection or exclusivity issued under the laws of the U.S. or any state or nation); AS 46.12.110(10) (gives the Alaska Energy Center the power to hold patents, copyrights, trademarks, royalties or other evidences of protection or exclusivity issued under the laws of the U.S. or any state or nation obtained by persons receiving financial assistance from the center.). Does not provide for an effective date (effective 90 days after Governor's signature).

Alaska Public
Employees Association APEA
State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

TO: Senator Vic Fischer

FROM: Cherie Shelley CS
Executive Director

RE: Intellectual work products developed by state employees, SB 59.

DATE: March 14, 1983

SB 59 would dramatically alter the current law with regard to ownership of intellectual property developed in connection with state service. The employer will reap a benefit much greater than is currently allowed at the expense of the employee who is responsible for the development of the idea.

This is not an improper result in all circumstances, but the proposed bill would go much further than is in the state's best interest. A careful review of the present state of the law and SB 59 bears this out.

Briefly stated, the current law is that the employer obtains all rights to the intellectual work product only if the employee was hired to invent, write, design, or to otherwise provide the employer with the intellectual work product that is eventually developed. However, if the employee is not hired to do original work of this type but does it on work time or using materials or facilities of the employer, then the employer gets only "shop rights" in the product. This means the employer gets the non-transferable right to use the product for its purposes without cost.

Inventions or products would remain the sole and exclusive property of the employee if developed outside of work time and without the employer's aid.

Federal employees fall under a federal regulation that follows the

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Juneau, AK 99801
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law as explained above. The federal regulation provides that the government gets certain rights to an invention made:

> 1) during working hours,
>
> 2) with a contribution by the Government of facilities, equipment, materials, funds or information, or of time or services of other Government employees on official duty, or
>
> 3) which bears a direct relation to or is made in consequence of the official duties of the inventor." 37 CFR 100.6(b)(1).

This is practically identical to the proposed language of SB 59. However, the federal provision goes on to say that only an employee who is employed or assigned:

> 1) to invent or improve or perfect any art, machine, design, manufacture, or composition of matter,
>
> 2) to conduct or perform research, development work, or both,
>
> 3) to supervise, direct, coordinate, or review Government financed or conducted research, development work, or both, or
>
> 4) to act in a liasion capacity among governmental or non-governmental agencies or individuals engaged in such research or development work... will be required to transfer to the Government <u>all</u> their interest in the invention. 37 CFR 100.6(b)(3).

Employees not hired in a capacity related to inventing but using government resources must give only "a non-exclusive irrevocable, royalty-free license in the invention with power to grant licenses for all government purposes." 37 CFR 100.6(b)(2). Again, note the similar language in the proposed legislation.

To summarize the federal law, if work is done by an employee on government time or with government resources, the invention will be government property <u>only</u> if the person was employed in a research/development capacity. If not, then the government gets an irrevocable license to use the invention without cost. If the work was done without government aid or support, then the invention is the sole property of the employee without license or other rights in the government. This follows very closely the law applicable to all

private sector employers.

On the other hand, SB 59 would give the state the right to all inventions if the state provided any support or aid at all for its development, regardless of the fact that the employee may not have been hired or told to produce inventions. The bill would make state employees a third class of citizen behind private sector employees and federal employees, insofar as their rights to the product of their own minds is considered.

There are sound policy considerations developed through the years that lay behind the courts' refusal to give employers the right to claim all inventions made by their employees. In United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933), the court considered and rejected the government's argument that public employment should be treated differently than private employment, noting that the government has no more right to take an employee's intellectual property than it has to take his real estate by virtue of government employment. p. 191.

The court also noted that the effect of a policy such as that proposed in SB 59 would be to take any incentive away from public employees to develop new concepts and ideas that may have proven useful to the government and public generally. Further:

> It would, on the one hand, render difficult securing the best sort of technical men for the service and, on the other, would influence technical workers to resign in order to exploit inventions which they might evolve and suppress while still in the service. There has always been more or less of a tendency for able men in the service to do this, particularly in view of the comparative meagerness of Government salaries; thus the Government has suffered loss among its most capable class of workers. p.207.

In summary it should be noted that the proposed legislation will have the effect of discouraging the development of new ideas among state workers and encourage those who discover or complete an invention to leave state service in order to obtain the benefits of their work. Unfortunately, those employees with the initiative and intelligence to come up with original ideas are the kind the state can least afford to lose.

We suggest that SB 59 not be passed in its present form because it goes too far. The current law as interpreted and applied by the courts provides the state with all the protection that is required. However, it is in the state's best interests to have some

established incentive plan for employees who develop new ideas and concepts that materially benefit the state as appears in proposed AS 39.52.020, so this provision or one like it should be retained.

Please find attached a language proposal which is patterned on the federal incentive program, with the discretion to grant awards somewhat limited by tying them to the value of the contribution or service.

"PROPOSED LEGISLATION"

Section 39.52.020. An agency or department of the state is authorized to give monetary recognition to an employee who, by suggestion, invention, superior accomplishment, or other personal effort contributes to the efficiency, economy, or other improvement of government operations, or who performs a special act or service in the public interest in connection with or related to official employment.

Section 39.52.021. Monetary recognition under AS 39.52.020 may not exceed $10,000 except in the event the award is in recognition of highly exceptional and unusually outstanding contribution or service under AS 39.52.020, in which event the award may not exceed $25,000. Awards in excess of $10,000 require the approval of the governor.

Section 39.52.022. Monetary recognition under 39.52.020 is in addition to the regular pay of the recipient. Acceptance of monetary recognition constitutes an agreement that the use by the state of a suggestion, idea, method, device or other intellectual work product as defined in AS 39.52.099 for which the recognition is given does not form the basis of a further claim against the state by the employee, his heirs, or assigns.

Section 39.52.023. To the extent a contribution or service results in a measurable economic benefit to the state, the employee shall receive a monetary award equal to no less than ten percent of the total savings to the state, subject to the limitations set forth in 39.52.021. This does not limit or bar monetary recognition for contributions or services not subject to economic evaluation or measurement, which may still be awarded under 39.52.020.

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS COMMITTEE
SENATOR VIC FISCHER, CHAIRMAN
POUCH V, JUNEAU 99811
(907) 465-4954

April 19, 1983
3:00 p.m.

Butrovich Room
Capitol Bldg.

Members Present

Senator Vic Fischer, Chair
Senator Bill Ray, Vice-Chair
Senator Arliss Sturgulewski
Senator Tim Kelly
Senator Pat Rodey

Agenda

SB 57--Limiting adjustment of retirement benefits

SB 59--Intellectual work products

HB 142--Special Appropriation to the Iditarod Committee

SB 137--Regulation of lobbying

SB 57--Limiting adjustment of retirement benefits

Terry Cramer, Administrative Assistant to the Blue Ribbon Commission on State Personnel, testified that the changes in the proposed committee substitute prepared by committee staff were generally appropriate.

Ken Humphries, Director of the Division of Retirement and Benefits, testified that he was opposed to the committee substitute. He asked the committee to consider another committee substitute which he had prepared. He felt that current procedures of the retirement board concerning review and waiver of overpayment are adequate. He said that persons who receive a waiver for an overpayment should be required to show that they did not have knowledge of the overpayment. He also said that the board should have the power to review these cases.

Senator Ray disagreed with Mr. Humphries regarding the adequacy of past board practice in these matters. He cited an example of someone who was unfairly treated, in his opinion. He felt it was necessary to address the problem with legislation.

Senator Kelly was of the opinion that persons who receive overpayments have an obligation to notify the state.

Senator Fischer said he was concerned about those people who have no knowledge that they are being overpaid and who do not have enough funds to repay once the error is discovered by the state.

Mr. Humphries and Senator Ray shared opposing views on the record of the retirement board in trying to solve these problems in good faith.

Senator Sturgulewski moved and asked unanimous consent to adopt the committee substitute submitted by Mr. Humphries. There was no objection.

Senator Rodey moved to pass the bill from committee with individual recommendations. There was no objection.

SB 59--Intellectual work products

Terry Cramer, testified in support of the bill and gave a general explanation of its provisions.

Senator Ray stated that he supports the bill.

Stan Moberly, Director of the F.R.E.D. Division in the Department of Fish and Game testified that he favors the bill conceptually but that many problem areas remain.

Senator Fischer temporarily tabled the bill to allow discussion of HB 142.

HB 142--Special Appropriation for the Iditarod Committee

Representative Ron Larson (prime sponsor) gave a summary of the bill.

Senator Ray moved and asked unanimous consent to pass the bill from committee with individual recommendations. There was no objection.

SB 59 (Cont)

Chris Noah, Executive Director of the Council on Science and Technology testified that the Council has no problem with provisions of the bill affecting it.

Lee Powelson, A.P.E.A. read a written statement in opposition to the bill.

Senators Fischer and Ray disagreed with the sweeping statements of the A.P.E.A. position.

Greg Young, representing himself, testified against the bill. He does not like the waiver provision.

Dale Young, representing himself, said he supported Mr. Moberly's testimony. He thinks it is a good idea to give incentives for technological innovation.

Senator Ray disagreed with the idea that state employees who develop innovations on state time should own the property rights to that innovation.

Senator Fischer stated that the bill would be held over.

SB 137--Regulation of Lobbying

Sandy Stone, Aide to Senator Faiks, discussed a proposed committee substitute she had prepared.

Committee members engaged in an informal discussion of the merits of the committee substitute, including the effect of the bill on elected and appointed municipal officials.

Senator Ray stated that he did not like the bill. He said he would vote to move it from committee, but will work to kill it on the floor of the Senate. He then moved and asked unanimous consent to adopt the committee substitute and to move the bill from committee with individual recommendations. There was no objection.

The meeting adjourned at 4:30 p.m.

by

David Dye

Committee Aide

Alaska State Legislature

BLUE RIBBON COMMISSION ON THE
STATE PERSONNEL ACT

Senator Bill Ray, Chairman

Pouch YG
Mail Stop 3123
Juneau, Alaska 99811
(907) 465-4442

JUNEAU, ALASKA

MEMORANDUM

January 25, 1983

TO: Senate State Affairs Committee

FROM: Teresa B. Cramer
Administrative Assistant

SUBJECT: Senate Bill 59 - Government Interests in Intellectual Work Products Developed at the Expense of the State

The Blue Ribbon Commission is proposing legislation to create and protect the state's interest in inventions, discoveries and creations developed by state employees or contractors during their employment or developed with the use of state facilities or resources.

The commission became interested in the issue when an employee of the Department of Fish and Game testified about employment problems arising from his patenting of a production scale salmon incubator. He had begun developing the incubator before he accepted employment with the state. He began working for the department and continued his project after securing advice from the Department of Law concerning avoiding the potential conflict of interest. His job for Fish and Game was closely related to the development of incubators. The employee stated that he created the incubator on his own time. He then patented it and sold the patent to a private corporation which marketed it. Thereafter, the department was required to pay royalties for use of the process.

The employee has filed several grievances over poor performance evaluations, lost promotional opportunities, and an alleged retaliatory layoff which he believed resulted from his patenting the invention. The department testified that there had been considerable morale problems because other employees believed that they had contributed to the development of the process. They thought it unfair that one individual could secure a patent and potentially profit from an invention in which others had participated and in which the state should have an interest.

The Blue Ribbon Commission is concerned that there is no statute protecting the state's interest in the inventions, discoveries and creations made by its employees or made through the use of its facilities. Legislation for the Alaska Energy Center and the Alaska

Resources Corporation gives each agency the authority to hold patents. Nothing in either chapter spells out how the state acquires that interest.

While the proposed legislation does not specifically address the situation which occurred in the Department of Fish and Game, the commission believes that this system would alleviate similar problems in the future. Information about the number of conflict of interest hearings before the Personnel Board indicates that there will probably be no more than two or three applications of the bill per year.

Bill Analysis

Page 1
Line 10 — The first section of the proposed legislation gives the state all right, title and interest in any intellectual work product developed during working hours or with the use of state facilities or by employees whose duties include responsibility for research.

Page 4
Line 12 — "Intellectual work product" is broadly defined later in the bill to include anything which is subject to patent, trademark or copyright laws.

Page 2
Line 8 — A state employee or person under contract with the state is obliged to disclose the development of an intellectual work product to the Alaska Council on Science and Technology and to assign any interest in it to the state. If requested, the person is required to assist the Council in applying for a trademark, patent or copyright. The commission believes that the Council is the most appropriate existing state agency to administer the program.

Page 2
Line 21 — The Council is given broad discretion to decide whether to pursue patenting, trademarking, or copyrighting the invention after consultation with affected state agencies. The Council may waive any state interest in the discovery or may waive all interest but retain a royalty-free license in the intellectual work product so that the state would not have to pay for its use in the future. If the state waives its interest, then the inventor would be able to pursue protection of his own interest in the discovery.

Page 3
Line 3 — The proposed legislation gives the Council authority to grant monetary recognition to employees who develop an intellectual work product. The recognition could be in

the form of a cash award, a share in any royalties generated by the invention, or in any other manner the Council found appropriate. Payment would, of course, be subject to legislative appropriation. The commission believes that the Council should have wide discretion in implementing the monetary award system in order to best encourage employees in their work and serve the state's interests.

Page 3
Line 13 — Any disagreements between an employee and the state pertaining to ownership of an intellectual work product would be subject to voluntary arbitration if the parties agreed to be bound by the result. If not, then the disagreement could be settled in court. In addition, the state and the employee or contractor may enter into an employment contract which requires compulsory arbitration.

Page 3
Line 29 — Legislators and employees of the University of Alaska are exempted from the chapter. The University has its own policy on intellectual property developed at its expense which is codified in section 2 of the proposed legislation.

Page 4
Line 5 — The Council is granted rule-making authority for the chapter in accordance with the Administrative Procedure Act.

Page 4
Line 24 — Section 2 of the legislation adds language to codify the University of Alaska's right to intellectual work products developed by its employees.

Page 5
Line 7 — Section 3 requires state employees to waive their interest in intellectual work products developed at the expense of the state as set out in section 1 of the bill. The waiver is not subject to negotiation under the Public Employment Relations Act.

Page 5
Line 29 — Section 4 amends the Alaska Council on Science and Technology statutes to add the powers and responsibilities granted by the proposed legislation.

Page 6
Line 7 — Section 5 repeals the patenting powers currently granted to the Alaska Energy Center and the Alaska Resources Corporation. The commission believes that there should be a single system which applies to all legislative, judicial and executive branch employees of the state.

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS COMMITTEE
SENATOR VIC FISCHER, CHAIRMAN
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Sectional Analysis SB 59

April 19, 1983
Prepared by: Suzanne Tryck,
Senate State Affairs Committee

Section 1: Adds a new chapter to Title 39 (chapter 52). Section (a) of that chapter gives the state all right and title to intellectual work products developed on state time, with state facilities, or by employees or persons under contract with the state whose duties may include responsability for research.

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Section 4: Adds to the statutes on the Alaska Council on Science and Technology the powers and authority in accordance with the proposed legislation.

Section 5: Repeals the patenting powers of the Alaska Energy Center and the Alaska Resources Corporation.

STATE OF ALASKA
FISCAL NOTE

Revision Date 4/19 , 1983

I. REQUEST

Bill/Resolution No.: SB 59
Title: An act relating to...intellectual work products...at the expense of the state
Sponsor: Rules by request of the Legislative
Requestor: Council for the Blue Ribbon Commission...

II. FISCAL DETAIL

Agency Affected: Dept. of Administration
Program Category Affected: General Government
BRU, Program of Subprogram(s) Affected: AK Council on Science & Technology

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		50.0	50.0	50.0	50.0	50.0
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		50.0	50.0	50.0	50.0	50.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		50.0	50.0	50.0	50.0	50.0
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Christopher Noah, Executive Director
Phone: 465-3510
Division: Alaska Council on Science and Technology
Date: April 19, 1983

Approved by Commissioner: Commissioner Lisa Rudd
Date: April 19, 1983
Department: Department of Administration

Distribution:
Original to Legislative Finance
Copy to Office of Management and Budget (for Legislature introduced bills)
Copy to Department (for Governor introduced bills)
Copy to Sponsor
Copy to Requestor (if different from Sponsor)

3/8/83

10/10/83

1) AD Hoc Committee on Copyright
(202) 331-4666

2) Council on State Governments

3) Stan Moberly.

4)

- Preliminary Report ~~to~~ before taking job to: 1) AG's office
2) Private Attorney

- MAJOR QUESTION: How is the state to going to ~~ag~~ acquire their ~~rightful~~ interest in a product developed at the cost of the State.

- Who owns the idea?
NOONE owns the idea,

← find out how ~~private~~ a sampling of private companies deal w/ this situation.

US v. Dubilier Condenser Corp,
289 U.S. 178 (1933).

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS COMMITTEE
SENATOR VIC FISCHER, CHAIRMAN
POUCH V, JUNEAU 99811
(907) 465-4954

Sectional Analysis SB 59

April 19, 1983
Prepared by: Suzanne Tryck,
Senate State Affairs Committee

Section 1: Adds a new chapter to Title 39 (chapter 52). Section (a) of that chapter gives the state all right and title to intellectual work products developed on state time, with state facilities, or by employees or persons under contract with the state whose duties may include responsability for research.

Page 2, line 8 (b) relates the responsabilities of the developers of intellectual work products as defined in (a) above. These responsabilities include:

(1) disclosing the intellectual work product to the Alaska Council on Science and Technology.
(2) assigning all right and title to the product to the state, and signing a waiver to that effect upon commencment of employment with the state.
(3) assisting the state in applying for a trademark, copyright, or patent.

(c) The state need not to apply for a trademark etc... if the council deems it inadvisable. The council may waive all state interest in the product or may waive all interest but retain a royalty-free license in the intellectual work product so that the state would not have to pay for its use in the future.

Page 3, line 3 Adds another section to chapter 52 (AS 39.52.030) authorizing the council to grant monetary recognition to state employees who develop an intellectual work product, and allowing the council to determine the terms and amount of payment.

Page 3, line 13 Sec. 39.52.030 is created to address disagreements between the state and the developers of the intellectual work products. These disagreements can be settled by voluntary binding arbitration, in court, or by compulsory arbitration. Subsection (b) gives the council the authority to make contracts for compulsory arbitration.

Page 3, This section exempts U. of Alaska employees and

line 29 public officers from this chapter.

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JAY S. HAMMOND
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

August 23, 1977

Mr. J. Christopher Noah
R. R. 6, Box 6224
Juneau, Alaska 99803

Dear Mr. Noah:

Thank you very much for your letter of August 2, 1977 in which you offered your views on establishing an employee suggestion award system. Quite obviously you have given considerable thought to this subject and I wholeheartedly agree with the merits of such a proposal.

Considerable study has been given to this subject by personnel in the Department of Administration. As you well know a program of this nature requires considerable long-range planning in order to assure its success. There is no doubt about the significant benefits which can be achieved by utilizing ideas which are generated by employees of the state of Alaska. Every year substantial expenditures are made to hire consultants, however; that does not necessarily give us the best ideas which might be implemented. The individuals who are performing the work on a daily basis can most often provide suggestions which will be the most successful when implemented.

In the very near future, I intend to have some form of employee suggestion award system established. If you have any further thoughts in this area, I would appreciate your sharing those ideas with Commissioner Allen so that they can be incorporated into whatever final program is established.

Again, many thanks for your interest in improving the quality of State government. A copy of your letter has been sent to the Department of Administration for their perusal.

Sincerely,

Jay S. Hammond
Governor

ACST
THE ALASKA COUNCIL ON SCIENCE AND TECHNOLOGY

May 26, 1983

Suzanne Tryck
c/o Senator Vic Fischer
State Capitol
Pouch V
Juneau, Alaska 99811

Dear Suzanne,

After our meeting I happened to come across the letter Governor Hammond had written to me in 1977 regarding the "employee suggestion award system" you and I discussed. You may wish to find out what happened to the system in your research on S.B. 59.

Sincerely,

Christopher Noah
Executive Director

CN/mc

Enclosure

Christopher Noah, Executive Director - Pouch CV, Juneau, Alaska 99811 - (907) 465-3510

Contacts

1) Amer. Elect. assoc.
415-857-9300

2) DOT / 3) Dinsion of Energy + Power.
Keith Jefferts.

4) Dep. of Env. Conservation
Dick Neve

5) Bruce carbon/ coal information management

ground rule

A) all related work owned by employer.

b) unrelated - you have all rights

mechanism for complaints if don't get adequate recognition.

? c) sharing in patent royalties.

.) proposed to reward good guys.
- state must prosecute patent.

b)

? ← b) Mechanism for individual patents.

-

E) ind. patent.
royalties on individual basis.

?) ind. can't expect state to develop-- ment of product.

← people will exaggerate merit of product.
- better to have ~~them~~ less flourish in product.

? ?

[Patent Lawyer Tom Jenkins]

Public Domain - not patentable

40K

Something needs to speak to the problem of what is in the public domain

- can this unmet problem be addressed by a personal rule.