

REF ID: A104692

SECRET

CONFIDENTIAL

RESTRICTED

DATE 23 Feb 49

TO	FROM	TO	FROM
<input checked="" type="checkbox"/> Chief, ASA..... (10)	_____	_____	Tech Staff..... (96)
_____ Executive O..... (11)	_____	_____	Ch, Security Div..... (80)
_____ Co'r Joint Oper..... (12)	_____	_____	Tech Staff..... (81)
_____ Deputy Chief, ASA... (20)	_____	_____	Ch, Materiel Br.... (82)
_____ Ch, Comm Res Sec (14) <input checked="" type="checkbox"/>	_____	_____	Ch, Methods Br.... (83)
_____ Ch, Hist Unit.... (13)	_____	_____	Ch, Protective Br... (84)
_____ Ch, Pers Sec..... (21)	_____	_____	Ch, Maint Br..... (85)
_____ Ch, Org & Tng Sec.. (22)	_____	_____	Ch, Res Lab Div.... (70)
_____ Ch, Plans & Oper... (23)	_____	_____	Tech Staff..... (71)
_____ Ch, Materiel Sec... (24)	_____	_____	Ch, Ch. Ciph & Cif Br (72)
_____ Ch, Fiscal Sec..... (25)	_____	_____	Ch, Int Equip Br... (73)
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_____ Ch, Sec Cont Sec... (27)	_____	_____	Ch, Lab Serv Br.... (75)
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_____ Ch, Int Cont Br.... (94)	_____	_____	_____
_____ Ch, I & D Br..... (95)	_____	_____	_____

- Approval & Return
- As Requested
- Concurrence or Comments
- Information & Forwarding
- Information & Return
- Information & File
- Recommendation
- Signature if approved
- Your action by
- Info upon which to base reply

Re question you asked recently
 on patents and signing of
 "Patent Memo":

1. Herewith info of interest, see pp. 23 and 24 of document
2. Memo from our Pat. Section.

Would like to discuss at
 your convenience, J

~~Handwritten~~
OK - why not
change policy

SECRET

REF ID: A104692
CONFIDENTIAL RESTRICTED

DATE 4 Mar 49

TO	FROM	TO	FROM
Chief, ASA.....(10)		Tech Staff.....(96)	
Executive O.....(11)		Ch, Security Div.....(80)	
Co'r Joint Oper.....(12)		Tech Staff.....(81)	
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Ch, I & D Br..... (95)			

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| <input type="checkbox"/> Approval & Return | <input type="checkbox"/> Information & File |
| <input type="checkbox"/> As Requested | <input type="checkbox"/> Recommendation |
| <input type="checkbox"/> Concurrence or Comments | <input type="checkbox"/> Signature if approved |
| <input type="checkbox"/> Information & Forwarding | <input type="checkbox"/> Your action by |
| <input type="checkbox"/> Information & Return | <input type="checkbox"/> Info upon which to base reply |

As discussed, please do some 2-2
work (of finance type) and see
what you can find out about affect
of decision in Kober case on
present the thing of JAG, Sig C
etc as regards JAG 550-50.

J

MEMO ROUTING SLIP

1	NAME OR TITLE Mr. Friedman	INITIALS	CIRCULATE
	ORGANIZATION AND LOCATION	DATE	CONCURRENCE
2			FILE
			INFORMATION
3			NECESSARY ACTION
			NOTE AND RETURN
4			SEE ME
			SIGNATURE

REMARKS

In response to an inquiry made with respect to the use by other technical services of pseudo contracts similar to the Signal Corps Patent Memo, set forth below are the names of those who were contacted for information, together with their comments.

Mr. Galleher (Office of the Judge Advocate General):

After checking into the matter and discussion with Mr. Glassman, Legal Division, Office of the Chief Signal Officer, he was of the opinion that no other technical service within the Department of the Army used such a contract.

Mr. Saragovitz (Legal Division, OCSIGO):

To his knowledge, the Signal Corps was the only technical service within the Department of the Army utilizing such a contract, and the latter, in view of the recent decision in the Kober case, was valid.

FROM NAME OR TITLE I. Passa	DATE 23 Feb 49
ORGANIZATION AND LOCATION Patents Section, R & D Division	TELEPHONE 227

Mr. Glassman (Legal Division, OCSIGO):

Based upon the information contained in the Department of Justice publication (which in his opinion is quite accurate since the basic information upon which the report was prepared was submitted by the technical services and was reviewed by the latter for correction before publication), supplemented by discussions in the past with other agencies, he did not believe any other technical service within the Department of the Army used such a contract.

Mr. Koontz (Air Force):

To his knowledge, the Air Force does not utilize this type of a contract.

Dr. Hayes (Navy):

The Navy uses no such contract with its regular employees.



I. PASSA
Patents Section, AS-71

MEMO ROUTING SLIP

1	NAME OR TITLE Mr. Friedman	INITIALS	CIRCULATE
	ORGANIZATION AND LOCATION	DATE	CONCURRENCE
2			FILE
			INFORMATION
3			NECESSARY ACTION
			NOTE AND RETURN
4			SEE ME
			SIGNATURE

REMARKS

This Department of Justice publication, together with the decision in the Kober case (wherein is set forth the opinion of the Court as to the validity of the Signal Corp Patent Memo), will, no doubt, fully answer your question.

(Note: Pages 22 and 23)

FROM NAME OR TITLE <i>Hansa</i>	DATE 17 Feb 49
ORGANIZATION AND LOCATION Patents Section, R & D Div (AS-71)	TELEPHONE 227

WAR DEPARTMENT
WASHINGTON

27 January 1947

The President

The White House

Dear Mr. President:

This letter is to express the views of the War Department with respect to the Final Report made to you by the Attorney General, dated October 9, 1946, recommending a uniform patent policy for all government agencies. The War Department has not seen this Report, but the Attorney General submitted under date of December 6, 1946 a summary of the contents of the Report.

You are fully aware of the absolute necessity for an adequate research and development program to meet the national defense needs of the United States. Such a program will naturally result in many new inventions some of which will have commercial application. The obvious purpose of the patent policies recommended by the Attorney General is to assure full and free use of such inventions when made by Government employees or contractors. I realize the desirability of a uniform policy that will accomplish this result. However, after careful study and consideration, I am satisfied that adoption of the recommendations would wreck the War Department's research and development program.

On August 14, 1945, the Assistant Attorney General submitted a similar plan for the consideration of the War Department. In my reply of September 24, 1945, copy of which is inclosed, I pointed out at some length the reasons why I was satisfied that plan would not work. In a letter of November 2, 1945, copy of which is also inclosed, Dr. Vannevar Bush, Director of the Office of Scientific Research and Development, expressed his concurrence in my views. The experience of the War Department since VJ-Day in attempting to place research and development contracts has served to strengthen my former views.

The facilities of the Government and of private organizations engaged solely in research are wholly inadequate to meet the needs of the War and Navy Departments. The cost of acquiring adequate facilities and staffing them with qualified personnel would be prohibitive.

TAB 5- Incl 2

Consequently, we must depend upon industry for a large and important part of our program. Industrial concerns have exhibited extreme reluctance to enter into research and development contracts under present policies which are considered by them as unduly favorable to the Government. The adoption of an arbitrary policy would make it impossible to carry out our research and development program.

The exception provided in the Attorney General's plan would be slow and cumbersome and would not overcome the objections of industry. Moreover, final authority to determine whether a War Department contract could be made would be placed in the hands of the proposed Patent Administrator, a Government official who would have no responsibility for the national defense.

However, to comply as far as practicable with the spirit of the Attorney General's recommendations, the War Department will endeavor to obtain title to inventions made in the performance of research and development contracts when feasible and provided the additional cost therefor is not unreasonable. It is believed that agreements of this type can be arranged with contractors who have no commercial patent position to maintain, such as educational institutions and organizations whose main business is research and development. I am causing instructions to this effect to be issued to the procurement services.

The Government Patent Administration, as proposed by the Attorney General, is unsatisfactory to the War Department. Notwithstanding the fact that, according to our estimates, the War and Navy Departments file 95% of all patent applications handled by governmental agencies, control over 90% of all patents owned by the Government, and supply over 95% of the federal funds expended for research and development contracting, the War and Navy Departments are each accorded but one representative on the Government Patent Administration recommended by the Attorney General, as against representatives from eleven other Government agencies and four public groups. While such a body might be valuable in a coordination and advisory capacity, final administration of patent policies with respect to contractual matters and employee relations should be left to the executive departments charged with responsibility therefor.

Inclosed herewith is an opinion of The Judge Advocate General which explains the present War Department practice with respect to inventions made by employees. It also points out the necessity for legislation by the Congress to put the proposed plan into effect. In my letter of September 24, 1945, mentioned above, I pointed out the value to the War Department of encouraging ingenuity on the part of employees. In my opinion, the hope of financial reward offers the strongest incentive to invent. Unless a system of cash bonuses or promotions and salary increases is provided which would substantially replace the financial returns that might be realized from patent rights, the incentive to invent will be destroyed and many valuable men will be led to enter private employment rather than Government service.

To summarize, I believe it is imperative that the War Department be free to negotiate contracts for research and development on the best terms available in order that it can accomplish its mission of providing for the national defense and that the maximum efficiency of the War Department can best be obtained by allowing employees to retain title to their inventions in accordance with existing regulations.

Respectfully yours,

(Signed) KENNETH C. ROYALL
Acting Secretary of War

3 Incls:

1. Letter of War Department dated
9/24/45
2. Letter of OSRD dated 11/2/45
3. Opinion of The Judge Advocate General
dated 1/16/47

C O P Y

16 January 1947

MEMORANDUM FOR THE UNDER SECRETARY OF WAR

SUBJECT: Comment on So Much of the Proposed Government Patent Policy Recommended in a Report Rendered to the President by the Department of Justice as Applies to Government Employees.

The proposed policy recommended by the Department of Justice to be applied by the War Department in dealing with its employees who are potential inventors is, substantially, that the Government take complete title to all inventions and patents made by such employees.

The term "employee" when applied to the Army includes not only strictly military personnel such as officers, warrant officers, and enlisted men, totalling around a million, but also approximately 455,010 War Department civilian employees (as of 30 November 1946), part of whom work in the War Department at Washington, D. C., and the balance in the Field Service outside Washington, but all of whom are, for purposes of pay and administration, divided into eight categories; Professional and Subprofessional; Clerical, Administrative and Fiscal; Custodial, Protective and Crafts.

Since an invention is private property, as held by the Supreme Court in 1890 in *Solomons v. United States*, 137 U. S. 342, 346, and since maintained, it cannot be taken from the owner by the Government without compensation while the 5th Amendment to the Constitution still stands, in the absence of a contract to convey the same to the Government.

Therefore, in order to carry out the policy proposed by the Department of Justice, it would be necessary to place every employee of the War Department (Civil and Military) under a contract of employment which would provide that the employee assign all right, title and interest in every invention he may make while in Government service.

Tab 4-12

Such a procedure, aside from the practical difficulties of operation, such as administration and the inequality of the negotiating parties, would obviously so antagonize "employee" inventors that the probable result would be that any inventions they made would be concealed, or taken out for them as patents by others outside the service. The general effect would be to discourage, rather than encourage, invention.

It is believed that in the matter of inventions the present wise and long-standing policy of the Government toward its employees should remain undisturbed. That policy is that the relation of the Government toward them is to be considered the same as that of any corporate or other employer toward its employees (where the common law relation of master and servant has not been modified by contract).

This policy, as set forth in par. 7, sec. 3, of AR 850-50, generally provides that:

(a) In the case of an employee of the War Department or of the Army who is "specifically designated or employed to invent a specific thing and does so at the expense of the Government, the title to the invention and to the patent obtained thereon becomes the property of the Government";

(b) If the invention "is made in the course of the general employment of such person on the time or at the expense of the Government but not by direct designation or employment for that purpose, the Government has an implied license to use the invention, but the title thereto and to the patent acquired thereon is the property of the inventor";

(c) In cases where there is no designation to invent and the development is not evolved in the line of duty of the employee, the Government inventor becomes "the sole owner of the invention and of the patent acquired thereon, and no implied license accrues to the United States" by reason of his employment.

In addition to the considerable legal difficulties inherent in the modification of the present War Department policy proposed in the Department of Justice report, there is the practical difficulty of regarding Government "employee" inventors for their inventions. In my opinion the hope of financial reward offers the strongest incentive to invent. Under the present policy, wherein the "employee" retains the commercial rights to his invention, many valuable inventions are made available to the Government on a royalty-free basis. Unless a system of cash bonuses or promotions and salary increases is provided which would substantially replace the financial returns that might be realized from patent rights, the incentive to invent will be destroyed and many valuable men will be led to leave Government service and enter private employ.

Considered both from the legal standpoint and as a question of practical, operative administrative policy, a uniform equitable policy of procedure for the Government controlling its relations with Government employees as to their inventions and patents is highly desirable, but, because of public interest and the personal legal rights of the parties involved, such policy can be defined only by Congress and no power to declare such a policy is, or can be, legally vested in administrative officers. This identical point is stated at length (pp. 205-209) by Justice Roberts in writing the decision of the Supreme Court in United States v. Dubilier Condenser Corp., 289 U. S. 178, which same point was also concurred in by Justice Stone and Justice Cardozo in separate opinions (pp. 219-223) in that case.

Very important

In view of these considerations it is recommended that the War Department assent to the recommendation of the Department of Justice only to the extent that the decisions of the Supreme Court as expressed in *Solomons v. United States*, 137 U.S. 342 (1890), and *United States v. Dubilier Condenser Corp.*, 289 U.S. 178 (1933), and the existing policy of the War Department as expressed in AR 850-50, legally and logically permit.

"SIGNED"

THOMAS H. GREEN
Major General
The Judge Advocate General

OFFICE OF SCIENTIFIC RESEARCH AND DEVELOPMENT

C O P Y

WASHINGTON, D. C.

November 2, 1945

The Honorable John F. Sonnett
Acting Head, Claims Division
Department of Justice
Washington, D. C.

Dear Mr. Sonnett:

Your predecessor, Mr. Rawlings Ragland, by letter dated August 14, 1945 transmitted to me a copy of the "First Report of the Attorney General to the President" covering the Department of Justice Patent Policy Survey.

On August 20 I acknowledged receipt of the copy of the report and pointed out that although I had not had opportunity to study the document with the care that I wished to give it, there was one matter of importance which I desired to bring to your attention at that time, namely, the treatment of industrial contractors as though their positions with respect to the Government were exactly the same as those of Government employees.

In my letter I pointed out that an independent contractor often brings to the research that he does for the Government under contract not only previous "know-how", but a substantial investment of time, money, and personnel in such research and that this investment should in equity be recognized by the Government in contracting for further research. In my letter I also stated that while I was inclined to agree with the conclusions contained in the report with respect to Government employees, such conclusions introduced problems of their own and I would write you in more detail about these matters in the near future.

Since that time I have had opportunity to give the matter further thought and obtain the views of others. In this connection, I have had opportunity to review Secretary of War Patterson's letter to you of September 24, 1945. In that letter he sets forth three reasons why a mandatory requirement that full ownership by the Government of patents eventuating under all Government contracts should not be made. In this connection I should like to bring to your attention the Report of the Federal Aviation Commission of January, 1935 (74th Congress, 1st Session, Senate Document No. 15) where at pages 176 and 177 Mr. Clark Howell, Chairman, Mr. Edward P. Warner, Vice Chairman, Messrs. Albert J. Barros, Jerome C. Hunsaker, Franklin K. Lane, Jr., as members of the Commission, and Mr. J. Carroll Cone as Executive Secretary to the Commission, are of the same view as Judge Patterson.

-2-

I fully agree with Judge Patterson in each of the reasons why contractors should not be required to assign title to their inventions to the Government and add that if such requirement had been in existence in 1940 this Office could not have accomplished the objectives obtained by it in the successful prosecution of the war. The views of the gentlemen mentioned above should not be passed over without serious consideration.

As to the policy to be established for inventions of employees of the Government, the Secretary of War is of the view that they, like development contractors, must be dealt with on the basis of fair dealing in the individual case. He points out that in the experience of the War Department many notable contributions of vital importance to the national defense have been evolved under the practice of leaving commercial rights in the inventor and that this system of incentive may be worth more to all the people than it costs some of them. He then urges in lieu of recommending to the President that these matters be handled by Executive Order, you recommend that they be disposed of by legislation duly introduced before the Congress in view of (1) the great public interest in the matter, (2) the diversity of opinion which has always been associated with these questions, (3) the fact that such procedure will afford to Government employees and development contractors an opportunity to present their views to Congress, and (4) the opinion of the majority of the court in the case of United States v Dubilier Condenser Corporation, 289 US 178 to the effect that these questions should be handled by legislation rather than by administrative regulation.

I join the Secretary of War in urging that these questions be not disposed of by precipitous Executive Order, but that they be submitted to Congress to the end that it may obtain the views of all interested, and then determine the question by duly enacted legislation.

Very truly yours,

(Signed) V. Bush
V. Bush
Director

C O P Y

WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

24 September 1945

Honorable John F. Sonnett
Acting Head, Claims Division
Department of Justice
Washington 25, D. C.

Dear Mr. Sonnett:

In his letter to me of August 14, 1945 your predecessor, Mr. Ragland, requested an expression of my views regarding a proposed report which the Attorney General contemplates submitting to the President concerning the patent policies of the Government. The portions of the proposed report which particularly concern the War Department are those which suggest an Executive Order making mandatory the inclusion of certain patent provisions in all development contracts and contracts with Government employees, subject to deviation only upon application in individual cases to an interdepartmental Government Patents Board. These proposed patent provisions provide for an assignment to the Government of all inventions made in the performance of such contracts.

In view of its experience in this field, the War Department would feel compelled strongly to object to your proposed recommendations of an Executive Order of this kind, for reasons which I summarize below. I believe such an Executive Order would constitute so serious an obstacle to the maintenance of modern and efficient armament in the days to come, that I request that this letter, or a copy thereof, be transmitted to the President with the proposed report if it be determined to make substantially the recommendations to which objection is here taken.

Certain types of mandatory contract provisions, prescribed by Executive Order, have been used during the war, and they have met with substantially uniform acceptance by Government suppliers. Such provisions include the anti-discrimination clause, the warranty against payment of contingent fees, and the like. Such general acceptance of these clauses affords no basis however to believe that the mandatory patent clause you propose would meet with equal, or indeed any, acceptance among Government suppliers.

A mandatory requirement that full ownership of eventuating patents shall pass to the Government under all development contracts would in effect require such contracts to include not only the purchase of Government rights to use the knowledge achieved, but also the right to authorize others to use it for their private commercial purposes. This would have three important effects.

TBB 2 - Inc 2

First, it would seriously hinder the Government's obtaining contractors able and qualified to undertake a particular research and development project. The Government cannot effectively obtain research or development by compulsion. Productive research and development result only from the consent and cooperation of the contractor. In most cases the War Department has little choice as to who the research or development contractor shall be. Commonly the selection must be made from a very small group of qualified contractors, a large percentage of which are industrial organizations, which are so qualified because of technical information and knowledge acquired in a competitive commercial market. The wartime experience of the War Department is that such contractors are unwilling to sell inventions having an actual or potential commercial value to them. The proposed Executive Order is certain to encounter serious resistance from such qualified contractors which would gravely hamper the programs of research and development upon which the effectiveness of our military establishment in the years to come will chiefly rest.

Second, it would further narrow the Government's choice in selecting contractors because in numerous cases the scientists employed by industry insist upon retaining all or some part of the commercial rights in inventions made in the performance of their duties. In these instances contractors cannot agree to transfer to the Government inventions made in the performance of a development contract because of restrictive agreements between the contractor and the inventors. The Government has no power to compel such scientists to transfer their rights to the contractor or to the Government. Accordingly, unless the Government is able to purchase such inventions from these scientists at a price which can be justified it will be compelled to let the contract with a less qualified contractor.

Third, it would greatly increase the overall cost of research and development. When the contractor grants to the Government only the royalty-free right to practice and cause to be practiced for it the inventions made in the performance of the contract, War Department experience has been that the contractor regards fair compensation as consisting of estimated costs of the work to be done, plus a profit thereon. However, when a contractor is called upon to agree to assign to the Government full title to inventions made in the performance of the contract (with the right to license others) the experience and judgment of the War Department indicates that the contractor, faced with the fact that his commercial competitors will thus be free to use the inventions, will regard fair compensation as including not only the estimated costs of the work, plus a profit thereon, but also an evaluation of all past accumulated experience and know-how entering into the work to be done, together with adequate compensation for the loss of exclusive commercial rights. The added cost thus entailed would constitute a substantial drain upon funds appropriated by Congress for research and development in the military establishment and would to that extent curtail research and improvement in aid of the national defense. This result would be a matter of serious concern to the War Department.

With respect to Government employees, it is to be observed that they, like development contractors, must be dealt with on the basis of fair dealing in the individual case. The circumstances of employment vary widely between the several Departments. In many laboratories, arsenals, proving grounds and engineering installations of the War Department it has been found that the ingenuity of the employee has been usefully stimulated by leaving commercial rights in him. I appreciate fully the force of your suggestion that this creates a contingency in which the employee may profit personally. It must not be overlooked, however, that in War Department establishments, engaged in perfecting the weapons and armaments of warfare, many notable contributions of vital importance to the national defense have been evolved under the practice of leaving commercial rights in the inventor, and that this system of incentive may be worth more to all the people than what it costs some of them.

If, notwithstanding the foregoing considerations, you adhere to the recommendations contained in the proposed report to the effect that every Government agency, by regulations and by agreement with employees and contractors, shall reserve the right to an assignment of the title to every invention which involves the use of Government facilities, materials, time or funds or relates to the authorized or permissive functions of the employee or to the work called for by the contract, I urge that in lieu of recommending to the President that these matters be handled by Executive Order, you recommend that they be disposed of by legislation duly introduced before the Congress in view of (i) the great public interest in the matter, (ii) the diversity of opinion which has always been associated with these questions, (iii) the fact that such procedure will afford to Government employees and development contractors an opportunity to present their views to Congress and (iv) the opinion of the majority of the court in the case of United States v Dubilier Condenser Corporation, 289 US 178 to the effect that these questions should be handled by legislation rather than by administrative regulation.

Sincerely yours,

signed

ROBERT P. PATTERSON
Under Secretary of War

U. S. DEPARTMENT OF JUSTICE

Investigation of Government
Patent Practices and PoliciesReport and Recommendations
of
The Attorney General
to
The President

VOLUME III

XV. DEPARTMENT OF JUSTICE INVESTIGATION (1943-46)

Pages 301-2

* * *

7. The Office of Scientific Research and Development was inclined to agree, although somewhat reluctantly, with the recommendation in the first report:⁵²⁷

* * * I see the difficulties of leaving commercial rights in the hands of a Government inventor, on a subject within the line of his duty and resulting from work in a Government laboratory, so clearly that I am sure the matter needs to be fully explored.

* * * you are on sound ground in recommending complete assignment by Government employees, although this certainly introduces some problems of its own.

In a later letter, following the War Department's adverse reaction to the Attorney General's recommendation in the first report, the Director of OSRD joined the Secretary of War ⁵²⁸--

in urging that these questions be not disposed of by precipitous Executive order but that they be submitted to Congress to the end that it may obtain the views of all interested and then determine the question by duly enacted legislation.

⁵²⁷ Letter of August 20, 1945, from V. Bush, Director of Office of Scientific Research and Development, to Rawlings Ragland, acting head of Claims Division, Department of Justice.

⁵²⁸ Letter of November 2, 1945, from V. Bush, Director of Office of Scientific Research and Development, to John F. Sonnett, acting head of Claims Division, Department of Justice.

8. The Navy Department categorically condemned the requirement of assignment of patent rights by employees as destructive of incentive:⁵²⁹

* * * It has been our experience that many top research workers accepted Government employment at least in large part because they retained the commercial rights to any inventions which they might make while under contract. I have no doubt that if such workers were required to assign title to their inventions to the Government, many of them would include in their compensation under our contracts relatively large contingencies for possible future inventions. As we would probably not be able to pay such high compensation, we would be deprived of the services of many of the workers.

The Navy Department cannot agree with the implication contained in the tentative report of the Department of Justice that the incentive to contractors or employees because of the commercial rights to inventions is of little importance. In addition, I think that your report overlooks the fact that an employee's cooperation in disclosing inventions is greatly enhanced if the employee retains certain rights. We have had experience in the past with cases where the inventor is to assign title to the Government and we have found it often difficult in such cases to obtain disclosures of such inventions and the full cooperation of the employee.

⁵²⁹ Letter of January 5, 1946, from Assistant Secretary of the Navy H. Struve Hensel to Assistant Attorney General John F. Sonnett.

(pages 301 and 302)