

ASSISTANT SECRETARY OF DEFENSE
Washington

My dear Mr. Lawton:

There is inclosed herewith a draft and sectional analysis of proposed legislation, "To provide for the withholding of certain patents that might be detrimental to the national security, and for other purposes," and a copy of a proposed letter to the Congress recommending its enactment.

The proposed bill is a part of the Department of Defense Legislative Program for 1951 and is similar to S. 2557 and H. R. 6389 of the 81st Congress, which were recommended by the Department of Defense. The principal difference between this proposal and those bills is in the provision for compensating the inventor whose invention is made the subject of a secrecy order. S. 2557 and H. R. 6389 merely provided for compensation "based upon use, if any, of the invention by the Government." The current proposal would enlarge the right by authorizing compensation "for damage accruing by reason of the order of secrecy" in addition to compensation for "use". The Bureau of the Budget indicated in connection with S. 2557 its approval of such a change.

The Departments of State, Justice, and Commerce have an interest in this proposed legislation.

Your advice is requested as to its relationship to the program of the President.

Sincerely yours,

Marx Leva

Inclosures

Honorable Frederick J. Lawton
Director
Bureau of the Budget

ASSISTANT SECRETARY OF DEFENSE
Washington

My dear Mr. Speaker:

There is forwarded herewith a draft and sectional analysis of proposed legislation, "To provide for the withholding of certain patents that might be detrimental to the national security, and for other purposes."

This proposal is a part of the Department of Defense Legislative Program for 1951, and it has been approved by the Bureau of the Budget. The Department of Defense recommends that it be enacted by the Congress.

Purpose of the Legislation: The proposed legislation is designed, where national security dictates: (a) to maintain certain inventions in a secret category and thereby prevent disclosures thereof; (b) to provide for compensation to inventors where patents are withheld; and (c) to provide penalties for violations of secrecy. Temporary wartime legislation which now prevents the disclosure of inventions the wrongful use of which would be detrimental to the security of the United States will terminate with the formal conclusion of World War II. Upon expiration of the temporary law, there would be virtually unrestricted access to patented scientific and technical advancements. It appears, therefore, to be vitally important to national security to have such permanent legislation.

Legislative References: Legislation similar to this proposal was introduced in the 81st Congress (S. 2557 and H. R. 6389) upon the recommendation of the Department of Defense. The principal difference between this bill and the one recommended to the 81st Congress is in the enlargement of the right to apply for compensation in the new proposal to include not only compensation for use of the invention by the Government, but also compensation for any damage caused by reason of the order of secrecy.

Cost and Budget Data: It is impossible to determine the number of inventions that may be subjected to a secrecy order in the interest of national defense; hence, an accurate estimate of the fiscal effects of this legislation cannot be made.

Department of Defense Action Agency: The Department of the Navy

has been designated as the representative of the Department of Defense for this legislation.

Sincerely yours,

Marx Leva

Inclosures

Honorable Sam Rayburn
Speaker of the House of Representatives

A BILL

To provide for the withholding of certain patents that might be detrimental to the national security, and for other purposes.

1 Be it enacted by the Senate and House of Representatives
2 of the United States of America in Congress assembled, That
3 whenever publication or disclosure by the grant of a patent
4 on an invention in which the Government has a property interest
5 might, in the opinion of the head of the interested Government
6 agency, be detrimental to the national security, the Com-
7 missioner of Patents upon being so notified shall order that
8 such invention be kept secret and shall withhold the grant of a
9 patent therefor under the conditions set forth hereinafter.

10 Whenever the publication or disclosure of an invention by
11 the granting of a patent, within categories prescribed by the
12 President and in which the Government does not have a property
13 interest, might, in the opinion of the Commissioner of Patents,
14 be detrimental to the national security, he shall make the ap-
15 plication for patent in which such invention is disclosed avail-
16 able for inspection to the Atomic Energy Commission, the Secretary
17 of Defense, and the chief officer of any other department or
18 agency of the Government designated by the President as a defense
19 agency of the United States; and each individual to whom the
20 application is disclosed shall sign a dated acknowledgment thereof,
21 which acknowledgment shall be entered in the file of the appli-

1 cation. If, in the opinion of the Atomic Energy Commission,
2 the Secretary of Defense, or the chief officer of such other
3 department or agency so designated, the publication or disclosure
4 of such invention by the granting of a patent therefor would be
5 detrimental to the national security, the Atomic Energy Com-
6 mission, the Secretary of Defense, or such other chief officer
7 shall notify the Commissioner of Patents to that effect, and the
8 Commissioner of Patents, upon being so notified, shall order that
9 such invention be kept secret and shall withhold the grant of a
10 patent therefor for such period or periods as the national
11 interest requires and upon proper showing by the head of any de-
12 partment or agency, who caused such secrecy order to be issued,
13 that the examination of the application might jeopardize the
14 national interest, then the Commissioner of Patents shall imme-
15 diately seal such application. The owner of a patent application
16 which has been placed under a secrecy order shall have a right to
17 appeal from such order to such agency and under such rules as may
18 be prescribed by the President. No invention shall be ordered kept
19 secret and the grant of a patent withheld for a period of more
20 than one year: Provided, That the Commissioner of Patents shall
21 renew any such order at the end thereof, or at the end of any
22 renewal period, for additional periods of one year upon notifica-
23 tion by the head of the department or the chief officer of the
24 agency who caused the order to be issued that an affirmative de-
25 termination has been made that the national interest continues

1 so to require, excepting, however, that any such order in
2 effect, or issued, during a time when the United States is
3 at war, shall be and remain in effect for the duration of
4 hostilities and a period of one year following cessation of
5 hostilities unless sooner specifically rescinded. The Com-
6 missioner of Patents is authorized to rescind any order upon
7 notification by the heads of all departments and the chief
8 officers of all agencies who caused the order to be issued
9 that the publication or disclosure of the invention is no
10 longer deemed to be detrimental to the national security.

11 SEC. 2. The invention disclosed in an application for
12 patent subject to an order made pursuant to section 1 hereof
13 may be held abandoned upon its being established before or by
14 the Commissioner of Patents that in violation of said order
15 said invention has been published or disclosed or that an
16 application for a patent therefor has been filed in a foreign
17 country by the inventor, his successors, assigns, or legal
18 representatives, or anyone in privity with him or them, without
19 the consent or approval of the Commissioner of Patents, and
20 any such abandonment shall be held to have occurred as of the
21 time of such violation: Provided, That in no case shall the
22 consent or approval of the Commissioner of Patents be given
23 without the concurrence of the heads of all departments and
24 the chief officers of all agencies who caused the order to be
25 issued. Any such holding of abandonment shall constitute

1 forfeiture by the applicant, his successors, assigns, or
2 legal representatives, or anyone in privity with him or them,
3 of all claims against the United States based upon such inven-
4 tion.

5 SEC. 3. Any applicant, his successors, assigns, or legal
6 representatives, whose patent is withheld as herein provided,
7 shall, if the order of the Commissioner of Patents above re-
8 ferred to shall have been faithfully obeyed, have the right,
9 during a period beginning at the date the applicant is notified
10 that, except for such order, his application is otherwise in
11 condition for allowance, or beginning at the effective date of
12 this Act, whichever is later, and ending two years after the
13 date a patent is issued on such application, to apply for com-
14 pensation for the damage accruing by reason of the order of
15 secrecy and/or for the use, if any, of the invention by the Govern-
16 ment, such right to compensation for use to begin from the date
17 of the first use of the invention by the Government. The head
18 of any department or agency who caused the order to be issued
19 is authorized, if any such claim is presented within the periods
20 above specified, to enter into an agreement with said applicant,
21 his successors, assigns, or legal representatives, in full set-
22 tlement and compromise for such damage and/or use, if any, and
23 any such settlement agreement entered into shall be final and
24 conclusive for all purposes, notwithstanding any other provision
25 of law to the contrary. If full compromise and settlement of

1 any such claim cannot be effected, the head of any department
2 or agency who caused the order to be issued, may, in his
3 discretion, administratively award and pay to such applicant,
4 his successors, assigns, or legal representatives, a sum not
5 exceeding 75 per centum of the maximum sum, if any, which in
6 the opinion of the head of such department or agency would consti-
7 tute fair and just compensation for such damage and/or use, if
8 any. Within two years after issuance of the patent, any
9 claimant who fails to secure an award satisfactory to him shall
10 have the right to bring suit against the United States in the
11 Court of Claims for such amount which, when added to such award,
12 if any, shall constitute fair and just compensation for the
13 damage and/or use, if any, of the invention by the Government.
14 The owner of any patent issued upon an application that was
15 subject to a secrecy order issued pursuant to section 1 hereof,
16 and who faithfully obeyed the order, who did not apply for com-
17 pensation as above provided, shall have the right, within two
18 years after the date of issuance of such patent, to bring suit
19 in the Court of Claims for fair and just compensation for the
20 damage accruing to him by reason of the order of secrecy and/or
21 use by the Government of the patented invention, such right to
22 compensation for use to begin at the first date of such use.
23 In any suit under the provisions of this section, and in any
24 negotiations concerning settlement and compromise of any such
25 claim, the United States may avail itself of any and all defenses

1 that may be pleaded by it in an action under title 28, United
2 States Code, section 1498, as amended. No compensation under
3 the Act shall be paid for use by the Government of an inven-
4 tion made while the inventor thereof was employed by the Govern-
5 ment.

6 SEC. 4. No person shall file or cause or authorize to be
7 filed in any foreign country an application for patent or for
8 the registration of a utility model, industrial design, or model
9 in respect of any invention made in the United States prior to
10 ninety days after filing in the United States an application
11 covering such invention except when authorized in each case by
12 a license obtained from the Commissioner of Patents under such
13 rules and regulations as he shall prescribe: Provided, That no
14 such license shall be granted with respect to any invention
15 which is the subject matter of a subsisting order issued by the
16 Commissioner of Patents pursuant to section 1 hereof without
17 the concurrence of the heads of all departments or the chief
18 officers of all agencies who caused the order to be issued. Such
19 license may be granted retroactively in case of inadvertence
20 except in the case of inventions falling within the categories
21 of invention prescribed under section 1 hereof.

22 The term 'application' when used in this Act includes ap-
23 plications, and any modifications, amendments, or supplements
24 thereto, or divisions thereof.

25 SEC. 5. Notwithstanding the provisions of sections 4886

1 and 4887 of the Revised Statutes (35 U.S.C. secs. 31 and 32),
2 any person, and the successors, assigns, or legal representa-
3 tives of any such person, shall be debarred from receiving a
4 United States patent for an invention if such person, or such
5 successors, assigns, or legal representative shall, without
6 procuring the authorization prescribed in section 4 hereof, have
7 made, or consented to or assisted another's making, application
8 in a foreign country for a patent or for the registration of a
9 utility model, industrial design, or model in respect of such
10 invention where authorization for such application is required
11 by the provisions of section 4 hereof, and any such United States
12 patent actually issued to any such person, his successors, assigns,
13 or legal representatives so debarred or becoming debarred shall
14 be invalid.

15 SEC. 6. Whoever, during the period or periods of time an
16 invention has been ordered to be kept secret and the grant of a
17 patent thereon withheld pursuant to section 1 hereof, shall, with
18 knowledge of such order and without due authorization, willfully
19 publish or disclose or authorize or cause to be published or
20 disclosed such invention, or any material information with respect
21 thereto, or whoever, in violation of the provisions of section 4
22 hereof, shall file or cause or authorize to be filed in any
23 foreign country an application for patent or for the registration
24 of a utility model, industrial design, or model in respect of any
25 invention made in the United States, shall, upon conviction, be

1 fined not more than \$10,000 or imprisoned for not more than
2 two years, or both.

3 SEC. 7. The prohibitions and penalties of this Act shall
4 not apply to any officer or agent of the United States acting
5 within the scope of his authority, nor to any person acting
6 upon the written instructions of, or in reliance on the written
7 permission or advice of, any such officer or agent.

8 SEC. 8. The Atomic Energy Commission, the Secretary of
9 Defense, the chief officer of any other department or agency of
10 the Government designated by the President as a defense agency
11 of the United States, and the Commissioner of Patents, may
12 separately issue such rules and regulations as may be necessary
13 and proper to enable the respective department or agency to
14 carry out the provisions of this Act, and in addition are au-
15 thorized, under such rules and regulations as each may prescribe,
16 to delegate and provide for the redelegation within their re-
17 spective departments or agencies of any power or authority con-
18 ferred by this Act to such responsible officers, boards, agents,
19 or persons as each may designate or appoint.

20 SEC. 9. If any provision of this Act or of any section hereof
21 or the application of such provision to any person or circumstance
22 shall be held invalid, the remainder of the Act and of such section
23 and application of such provision to persons or circumstances
24 other than those as to which it is held invalid shall not be
25 affected thereby.

1 SEC. 10. The Acts of Congress approved October 6, 1917,
2 ch. 95, 40 Stat. 394; July 1, 1940, ch. 501, 54 Stat. 710;
3 August 21, 1941, ch. 393, 55 Stat. 657; and June 16, 1942,
4 ch. 415, 56 Stat. 370 (United States Code, title 35, sections
5 42 and 42a to 42f) are repealed, but such repeal shall not
6 affect any rights or liabilities existing on the date of this
7 Act. Any order of secrecy heretofore issued under said repealed
8 Acts, and subsisting on the date of the approval of this Act,
9 shall be considered as an order issued pursuant to this Act and
10 shall continue in force and effect for a period of one year from
11 the effective date of this Act unless sooner rescinded as pro-
12 vided herein. Any claim arising under said repealed Acts and
13 unsettled as of the effective date of this Act, the provisions
14 of any other Act or Acts to the contrary notwithstanding, may be
15 presented and determined pursuant to the provisions of section 3
16 hereof.

17 SEC. 11. Nothing in this Act shall be construed to alter,
18 amend, revoke, repeal, or otherwise affect the provisions of the
19 Atomic Energy Act of 1946 (60 Stat. 753), as amended.

SECTIONAL ANALYSIS

Section 1 provides that the Commissioner of Patents may order that certain inventions within categories prescribed by the President be kept secret, regardless of whether the Government has property interest therein, whenever publication or disclosure thereof might be detrimental to the national security. The Atomic Energy Commission, the Secretary of Defense, and such other chief officers of other departments or agencies when designated by the President, may initiate action for secrecy when the Government has a property interest, or may inspect applications for patents on inventions in which the Government has no property interest when referred by the Commissioner of Patents and determine whether secrecy is necessary. The period of secrecy would be one year or for the duration of hostilities and for one year following cessation of hostilities during a time the United States is at war, but the one year period may be renewed by the Commissioner of Patents, or the secrecy classification cancelled upon notification that secrecy is no longer necessary. The President would prescribe regulations for appeal of secret order.

Section 2 provides that publication, disclosure, or filing an application for patent in a foreign country after an application for patent has been subjected to a secrecy order and without consent of the Commissioner may constitute abandonment of the invention at the time of such violation. Such abandonment shall also constitute forfeiture of all claims against the United States based upon such invention.

Section 3 provides for compensation for damages accruing by reason of the secrecy order or for government use and prescribes a two year statute of limitation. Authorizes head of any department who caused secrecy order to be issued to make full settlement for such damage or use, or settlement in an audit not exceeding 75% of the maximum sums which such department head considers a fair and just compensation. Owner may, in absence of satisfactory award, bring suit in Court of Claims, in which case United States may avail itself of all defenses provided in 28 U.S.C. 1498, as amended. No compensation shall be paid for government use of an invention made by an inventor employed by the Government.

Section 4 provides that no person shall file an application in a foreign country for a patent or for the registration of a utility model, or industrial design, prior to ninety days after filing in the United States unless authorized in each case by a license issued by the Commissioner of Patents.

Section 5 provides that failure to abide by requirement of sec-

tion 4 shall serve to debar persons from receiving United States patent.

Section 6 provides penalties for violation for willful publication or disclosure of any material information on matter covered by secrecy order.

Section 7 excepts officers or agents of the United States, when acting within the scope of their authority, from prohibitions and penalties prescribed, and similarly exempts persons acting upon their written instruction or in reliance on their written permission or advice.

Section 8 authorizes issuance of separate regulations to enable the respective departments or agencies to carry out the provisions of the bill.

Section 9 provides for continuance of the Act should any part thereof be held invalid.

Section 10 repeals present laws but saves secrecy orders issued prior to enactment and claims unsettled under Act amended.

Section 11 provides that Atomic Energy Act of 1946, as amended, will not be affected by these provisions.