



DEPARTMENT OF THE NAVY

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20350-1000

SECNAVINST 5870.2D

OCNR OCCIP

16 May 1989

SECNAV INSTRUCTION 5870.2D

From: Secretary of the Navy

Subj: LICENSING OF GOVERNMENT OWNED INVENTIONS IN THE CUSTODY
OF THE DEPARTMENT OF THE NAVY AND DISTRIBUTION OF ROYALTIES

Ref: (a) Title 35 U.S.C. 207-211
(b) Licensing of Government Owned Inventions, 37 C.F.R.
Part 404
(c) Title 15 U.S.C. 3710c
(d) DOD Regulation 3200.12-R-4 of Dec 88 (NOTAL)
(e) Title 10 U.S.C. 5022
(f) SECNAVINST 5430.20C (NOTAL)
(g) Title 15 U.S.C. 3710a
(h) Executive Order 12591

1. Purpose. To implement references (a) and (b) by providing for the licensing of Navy-owned inventions and references (c) and (d) by providing for the distribution of royalties or other income received from the licensing or assignment of Navy-owned inventions. This is a complete revision of SECNAVINST 5870.2C and should be read in its entirety.

2. Cancellation. SECNAVINST 5870.2C.

3. Policy and Objective. It is the policy and objective of this instruction to promote the transfer of Navy technology for commercial application by the licensing of inventions arising from Navy-funded research and development.

4. Delegation of Authority. Under the provisions of references (e) and (f), the Chief of Naval Research (CNR) is responsible for the supervision, administration, and control of activities within or on behalf of the Department of the Navy relating to patents, inventions, trademarks, copyrights, royalty payments, and matters connected therewith. The CNR is delegated the authority to supervise, administer, and control the Department of the Navy invention licensing program. Under the provisions of references (g) and (h), the CNR may delegate to laboratory directors the authority to negotiate licenses of Navy inventions. The CNR is delegated the authority to execute licenses under Navy inventions, and may redelegate such authority within the Office of the CNR.

5. Definitions

a. Navy invention means an invention, plant, or design which is covered by a patent, patent application, plant variety

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protection, or other form of protection, in the United States or in a foreign country, title to which has been assigned to or otherwise vested in the United States Government and in the custody of the Department of the Navy.

b. A qualifying inventor is an inventor entitled under reference (c) to a share of the royalties or other income received by the Navy from the licensing or assignment of an invention. The inventor must have assigned his or her rights in the invention to the United States.

6. Licensing Procedures. Navy inventions, except those inventions under which the transfer of the technology would be detrimental to the national security, shall be made available for licensing in order to transfer the technology for commercial application. The terms, conditions, and procedures set forth in reference (b) shall be followed in the licensing of Navy inventions. Nonexclusive, exclusive, or partially exclusive licenses on Navy inventions may be granted. The CNR shall maintain the record required by reference (b) of the determinations by the Department of the Navy to grant exclusive or partially exclusive licenses.

7. Additional Licenses. Nothing in this instruction shall preclude the CNR from granting licenses under Navy inventions in the authorized exchange of rights in the settlement of patent disputes. The following exemplify circumstances wherein such licenses may be granted:

a. In consideration of the settlement of an interference;

b. In consideration of a release of a claim of infringement; or

c. In exchange for or as part of the consideration for a license under adversely held patents.

8. Transfer Of Custody. To facilitate the transfer of the technology for commercial application, the CNR may transfer the custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in a Navy invention. The CNR may accept custody from another Federal agency of the right, title, or interest in an invention.

9. Appeals. Any decision or determination concerning the grant, denial, interpretation, modification, or termination in whole or in part of a license may be appealed to the CNR.

a. The following parties may appeal:

(1) A person whose application for license has been denied.

(2) A licensee whose license has been modified or terminated, in whole or in part.

(3) A person who, in a timely manner, filed a written objection in response to the notice required by paragraphs 404.7(a)(1) or 404.7(b)(1) of reference (b) and who can demonstrate to the satisfaction of the CNR that such person may be damaged by the Department of the Navy action.

b. The following procedures are applicable to all appeals:

(1) Written notice of appeal must be sent to the CNR within 30 days from the date of the decision or determination which is being appealed.

(2) A written statement setting forth the issues appealed, the reasons for the appeal, and the specific remedy sought by appeal must be submitted to the CNR within 20 days (or such longer period as may be fixed in writing by the CNR) from the date of receipt by the CNR of the notice of appeal. The CNR may request additional information relevant to the appeal.

(3) After reviewing the evidence presented to determine if there is clear and convincing evidence that the decision or determination appealed should be changed in whole or in part, the CNR will issue a final decision on behalf of the Department of the Navy.

10. Inventor's Share Of Royalties And Other Income. Royalties or other income received on account of any invention shall be shared with qualifying inventors. Payments shall continue as long as the Department of the Navy receives royalties or other income regardless of a change in employment status. If royalties or other income result from the license or assignment of an invention, the qualifying inventor(s) will receive payment as follows:

a. Qualifying inventors shall receive payment of their prescribed share of any royalties or other income received by the Department of the Navy on an annual basis coincident with each fiscal year.

b. If the royalty or other income received by the Navy each fiscal year is less than \$1000 times the number of qualifying inventors, (one or more), the qualifying inventor(s) will receive the entire amount in equal shares. If the royalty or other

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income received each fiscal year is equal to or greater than \$1000 times the number of qualifying inventors, the qualifying inventor(s) will share equally in 20 per cent of the total or \$1000 each, whichever is greater, subject to the limitation in paragraph 10c.

c. Payments of royalties or other income from an invention to a qualifying inventor shall not exceed \$100,000 per year without Presidential approval as provided in reference (c).

d. Qualifying inventors shall be entitled under this instruction to share in all royalties or other income received by the Department of the Navy on or after 20 October 1986, the effective date of reference (c), regardless of the date of the invention, patent application, patent, assignment, or license.

11. Distribution and Use. Distribution of royalties or other income will be under the following:

a. The CNR will distribute the majority of royalties and other income to the activity where the invention occurred. Out of each distribution the CNR will identify the amount to be shared with each qualified inventor.

b. The activity will distribute the identified amounts to the qualifying inventors. The remaining balance may be used by the activity for:

(1) Payment of expenses incidental to administration and licensing of inventions;

(2) Reward of scientific, engineering, and technical employees at that activity;

(3) Promotion of scientific exchange among Department of the Navy activities;

(4) Education and training of employees consistent with the research and development mission and objectives of the Department of the Navy; and

(5) Other activities that increase the licensing potential for transfer of the technology of the activity.

c. Royalties or other income must be used or obligated within the fiscal year received or during the succeeding fiscal year.

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d. Any of such royalties or other income not so used or obligated by the end of the fiscal year succeeding the fiscal year in which they are received shall be paid into the Treasury of the United States.



H. Lawrence Garrett, III
Secretary of the Navy

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