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Memo
Operating
Guidance

No. 92-18
July 17, 1992

VICE CHANCELLORS — BUSINESS AND FINANCE ADMINISTRATION*
CONTRACTS AND GRANTS OFFICERS
OFFICE OF THE PRESIDENT FUNCTIONAL MANAGERS

SUBJECT: Public Accessibility to Proposal Data under the Freedom of Information Act

Background

In a recent court case (*E.I. du Pont de Nemours & Co. v. Cetus Corp.*, No. C. 89-2860 MHP [N.D. Cal., Dec. 4 and 11, 1990]), applications for research grants funded by NSF and NIH were deemed "prior art" with respect to patent applications made by Cetus. This decision was based in part on the finding that information contained in funded grant applications is publicly accessible through the Freedom of Information Act (FOIA). "Prior art" (e.g., publications) could prohibit an inventor from securing certain patent protections. Taken to a logical extreme, this decision could mean that the University may be barred from patenting an invention that was discussed in one of its own grant applications.

The Office of the President offices of Technology Transfer and Research Administration conducted a review of the decision, the statute, and major agency FOIA implementing regulations (HHS, NSF, DoD, NASA, DOE, EPA, and USDA). We found that in all cases agency regulations call for the agency to notify the University of a FOIA request *before* releasing confidential information to the requester. The University would then have an opportunity to respond and, as necessary, protect the information from release on the basis of FOIA Exemptions 3 (specifically exempted from disclosure by statute) and 4 (trade secrets and commercial or financial information obtained from a person and privileged or confidential). For additional information see Contract and Grant Manual 17-F04. Another good reference is an article in the *Journal of the Patent and Trademark Office Society* ("Government grant applications, despite *E. I. du Pont de Nemours v. Cetus*, are not necessarily prior art," Hodgins and Matula, April 1992).

Virtually all proposals for extramural funding contain confidential information and many contain at least the germ of a patentable idea. If the PI is already aware that potentially patentable ideas are contained in the proposal, then the University and/or Principal Investigator may want to take extra precautions to protect such ideas. The guidance offered below distinguishes between proposals that may not need extra protection and those that may warrant extra protection.

Proposals that may not need extra protection

The FOIA and existing agency implementing regulations provide sufficient protection against unauthorized disclosure of confidential material in proposals. Additional markings or restrictive legends on such proposals are not necessary.

*Note: The addressees above represent the standard distribution of Contract and Grant Memos. Additional addressees, if any, may be added based on the subject of the Memo. See cc's.

Nevertheless, this office has taken the precaution of reminding the above agencies of the existing protections and asking them to respond if their interpretation of agency procedures differ from ours. The enclosed letter was sent to the FOIA officer at DHHS and similar letters were sent to counterparts in the above-listed major agencies. In all cases a copy was also sent to the agency or sub-agency grants management/policy office.

Proposals that may warrant extra protection

At the February 1992 Contract and Grant Conference in Berkeley, Marty Simpson from the Office of Technology Transfer discussed the *Cetus* decision and stated that one possible course of action to protect confidential information in proposals was to include in the proposal a restrictive legend, informing the agency that the proposal contains (or may contain) confidential information that is exempt from disclosure under the FOIA. This advice is consistent with that given in Contract and Grant *Memo* 79-33, Proprietary Data Legend for Protection of Sensitive Data Submitted in (a) Research Proposals and (b) Memoranda of Understanding and Agreement Relating to Requests for Approval of Recombinant DNA Research under NIH Guidelines (April 10, 1979).

Each agency provides specific procedures for marking proposals, or pages of proposals, with restrictive legends. When marking is appropriate, you must follow the agency procedures exactly. These procedures may be found in the agency implementation of the FOIA in the Code of Federal Regulations. CFR references for the major agencies are found in the attached correspondence.

Two words of caution. Marking a proposal with a restrictive legend may cause disruption of the agency's normal peer review process, leading to delays. And some agencies (e.g., DOE) will regard the marking as *constituting* the submitter's response to any future requests for release of that information under FOIA, thereby eliminating the University's opportunity to respond to specific requests.

Refer: William Sellers
(510) 987-9847

Subject Index: 17
Organization Index: F-100, F-175, F-275, F-350, F-615, F-650, F-711

David F. Mears
Director
Research Administration Office

Enclosure

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July 2, 1992

Carl Coleman, Director
Freedom of Information/Privacy Act Division
Department of Health and Human Services
Hubert H. Humphrey Building, Room 645F
200 Independence Avenue, SW
Washington, DC 20201

Dear Mr. Coleman:

We are writing to express our concern about the December 11, 1990 Federal District Court finding in E. I. du Pont de Nemours & Co. v. Cetus Corporation (1990 U.S. Dist. LEXIS 18382). In that case, the court found that the methodology described in a funded NSF proposal qualified as prior art in subsequent patent litigation. The University of California is now concerned that, as a result of this court finding, there may be a greater need to protect not only our own intellectual property rights under Federally-funded research projects, but also the government's interest in such rights pursuant to 35 USC et seq.

We have reviewed relevant Freedom of Information Act (FOIA) and DHHS regulations. We conclude that in spite of this court decision suitable protection for intellectual property rights exists pursuant to Executive Order 12600 dated June 23, 1987 and your agency's implementation of the FOIA at 45 CFR Part 5.

Our understanding of the above mentioned legislation and regulations is that the University would be notified of a FOIA request submitted to DHHS. Further, we would be provided an opportunity to review proposals (solicited or unsolicited) which we submitted to units within your agency in order to delete any confidential information, including details of any patentable inventions, prior to disclosure under the FOIA. Deletion of such information under FOIA's Exemptions 3 and 4 would prevent premature release to the public of material which would constitute the claims for a subsequent patent application.

By protecting against public access to FOIA-exempt information prior to the University obtaining appropriate protection under the patent laws, the University's proposals would not be considered prior art which might otherwise compromise our intellectual property rights. The government's legitimate interest in such inventions pursuant to 35 USC 202(c)(4) (license for governmental purposes) would also be preserved. Under 35 USC 205, DHHS is authorized to prevent release of information which discloses inventions in which the government may own a right so that patent protection can be obtained. 35 USC 207 authorizes Federal agencies to take necessary steps to protect the government's rights and interests in inventions.

The University of California intends to continue to submit proposals with the above understandings in order to continue our productive research relationship with the Government and to protect intellectual property rights of both the University and the Government.

If you disagree with our understandings as described above or otherwise feel it is necessary for the University to take some additional action to secure intellectual property right protection, please so advise us.

Sincerely,

David F. Mears

David F. Mears
Director
Research Administration Office

cc: Director Wooten
Contract and Grant Officers
Tom Shoe/PHS
Geoff Grant/NIH
Stephen Gane/ADAMHA