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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
ROUTE SLIP

TO Sal Ambrosio
Joe Clark
✓ Fred Dietrich
Norm Zeller
Dennis Prager

- [ ] Take necessary action
- [ ] Approval or signature
- [ ] Comment
- [ ] Prepare reply
- [ ] Discuss with me
- [ ] For your information
- [ ] See remarks below

FROM Bill Maxwell DATE 9/23/81

REMARKS

Re: Uniform Patent Policy Bill

— Attached are written comments I've received thus far on subject bill.

OMB FORM 4
REV AUG 70

K7-0181.3

NATIONAL SCIENCE FOUNDATION
WASHINGTON, D.C. 20550

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OFFICE OF THE
GENERAL COUNSEL

21 September 1981

William A. Maxwell
Legislative Analyst
Office of Management and Budget
Executive Office of the President
Washington, DC 20503

Subject: Congressional Draft Bill/Uniform Patent Legislation

Dear Mr. Maxwell:

Thank you for allowing us extra time to comment on the proposed "Uniform Science and Technology Research and Development Utilization Act".

The National Science Foundation supports the basic policy of the proposed act. We believe that a flexible Government-wide policy on the allocation of rights to federally-supported inventions should be enacted to replace the briarpatch of statutes, Executive directives, and agency policies which presently passes for Government Patent Policy. Further, we agree with the drafters of this bill that principal patent rights should in most cases be left with the inventing organization, with the Government receiving a license and "march-in" rights.

We believe that principal patent rights should remain with the inventing organization for three major reasons. First, the inventing organization is usually best equipped to commercialize the invention. Second, in most instances the inventing organization makes an uncompensated contribution the invention. Finally, any other disposition of rights imposes a much heavier administrative burden on both the inventing organization and the funding agency. The Bayh-Dole Act, of course, leaves principal patent rights with small business firms and nonprofit organizations.

Although we thus agree with the policy of the proposed legislation, this working draft appears to have been hastily patched together from old legislative proposals, notably the "Thornton Bill". We recommend that an Administration substitute be quickly drafted and submitted to Congress to forestall implementation problems such as agencies are now

having with the Bayh-Dole Act. A starting point for that drafting work might be the Carter Administration's unsuccessful "Government Patent Policy Act of 1980" (copy attached). As you may recall, considerable effort went into structuring and wording that proposed legislation. We believe that it can be quickly modified to remove its discrimination against larger business firms, possibly by an ad hoc interagency group such as the one which originally drafted it. NSF would be glad to help once again.

More detailed comments on the would-be Act are contained in the attached memorandum.

Yours truly,

Charles H. Herz
General Counsel

Attachments

NATIONAL SCIENCE FOUNDATION
WASHINGTON, D.C. 20550

nsf

OFFICE OF THE
GENERAL COUNSEL

18 September 1981

Detailed Comments on the "Uniform Science and Technology Research and Development Utilization Act"

Prepared by: John Chester, Assistant to the General Counsel

Generally, the structure and language of the proposed statute are nearly incomprehensible by the nonlawyer. "Plain English" is notably absent.

SEC. 101. FINDINGS and SEC. 102. PURPOSE.

While the language of these sections could be improved, their slight substance is unobjectionable.

SEC. 103. DEFINITIONS.

Since none of the definitions is particularly significant, this section seems misplaced at the beginning of the proposed Act. A less prominent position, near the repealer section perhaps, would be more appropriate.

Looking at the definitions:

(1) "Funding agreement", which is used in the Bayh-Dole Act, might be better than "contract", since grants and cooperative agreements are included.

(2) The definition of "contractor" seems to include the funding agency.

(3) The definition of "disclosure" seems inconsistent with the later use of the word in the phrases "time of disclosure" (Sec. 302) or "disclosure to the public" (Sec. 305(a)(3)).

(4) "Federal agency", which could be just "agency", is not limited to the agency which was party to the contract under which an invention was made. This definition implies that any agency may waive the Government's rights to (Sec. 303) or exercise march-in rights on (Sec. 304) every federally-supported invention.

SEC. 103 (continued)

(5) "Government" and (6) "invention" are standard, although the need for the first is debatable.

(7) The definition of "inventor" implies that the proposed Act covers an employee-inventor who has not agreed to assign her inventions to her employer. This would override the common law rule that absent such an agreement the employer gets only "shop rights". The term seems to be used only three times in the body of the proposed statute -- in the first sentence of Sec. 302(a), in Sec. 305(a)(1), and in Sec. 305(a)(3) -- and so several provisions affecting a "contractor" seemingly do not apply to an "inventor".

(8) "Made", in a expanded form, is once again a verb defined as two nouns.

The remaining definitions -- "person", "practical application", "small business firm" and "nonprofit organization" -- are familiar. "Person", however, is already defined in Title 1 of the U.S. Code and "small business firm" and "nonprofit organization" are not used in this bill.

SEC. 201. RESPONSIBILITIES.

Again, the administrative details contained in this section are given undue prominence.

All the responsibilities, which include some authority and direction, belong to the Secretary of Commerce. The role of the funding agency is not clear. Similar provisions were in the first draft of the Carter Administration's unsuccessful "Government Patent Policy Act of 1980". They were rewritten to lessen Commerce's oversight authority.

Sec. 201(b)(4) apparently lets contractors (and others?) appeal an agency's patent-related decisions to Commerce. That will be resisted by the major contracting agencies.

SEC. 202. EXPIRATION.

If Commerce is expected to establish a meaningful technology transfer program under Sec. 201, a seventh year review requirement, rather than a "sunset" provision, might be appropriate.

SEC. 301. RIGHTS OF THE GOVERNMENT.

For some reason, the relatively few cases in which the Government will obtain principal patent rights are mentioned first.

SEC 301 (continued)

Agencies must ("shall") obtain principal patent rights in four specified cases. This lack of agency discretion is inconsistent with the broad waiver authority of Sec. 303.

The four cases listed are numbered (1), (2), (3), and (5) and punctuated by two semicolons, a period, and a colon.

Under Sec. 301(b), the "rights" -- whatever they are -- of the Government under 301(a) cannot be exercised unless the agency reports to the Secretary of Commerce. Apparently, NSF will not only always have to take title to inventions made by our FFRDCs operators, only to waive it back later if present practice is any guide, but will have to tell Commerce each time we do so.

SEC. 302. RIGHTS OF THE CONTRACTOR.

As noted above, the definition of "inventor" indicates that an employee who has not assigned her invention rights to her employer is covered by the proposed law, even if the employee is not a party to the Federal contract. That may be unconstitutional.

The Government "shall" take title to inventions when the contractor or nonassigning inventor does not. Does that mean an agency must obtain an assignment of rights from the inventor in every case, even if the invention is not worth patenting?

SEC. 303. WAIVER.

The waiver authority is very broad, giving agencies the flexibility they would need to correct inequities created by the two preceding sections.

SEC. 304. MARCH-IN RIGHTS.

Sec. 304(a)(1) combines the "nonuse" march-in with the Government's right to patent an invention if the contractor does not. That means if a contractor fails to file a patent application, the agency cannot rush in and do so to avoid a statutory bar without prior approval of the Secretary of Commerce, given after a formal hearing, in accordance with Sec. 304(b).

The health and safety march-in of the Bayh-Dole Act is expanded to include public "welfare needs" (Sec. 304(a)(2)(i)). The business community has objected to a "welfare" march-in because the term is so broad that it would allow an agency to march in almost at will.

SEC. 304 (continued)

The antitrust march-in (Sec. 304(a)(2)(iii)) is similar to that contained in the first drafts of the Carter Administration bill about two years ago. At that time, representatives of the business community said that it was overbroad and imprecise. A narrower march-in was developed with the advice of the Justice Department.

As noted above, some agencies might resist setting up the Department of Commerce as a Court of Last (Administrative) Resort for their contractors. (Sec. 201(a)(4)) They will certainly object to having to obtain prior approval of Commerce for exercise of march-in rights.

Requiring prior approval of Commerce was probably intended to assure contractors that the march-ins would not be improperly used. The involvement of DoC might, however, hamper informal handling of march-in situations and lead to greater administrative burdens on the contractor.

SEC. 305. GENERAL PROVISIONS.

Sec. 305(a)(1) seems to require utilization reports even if the contractor or nonassigning inventor does not retain title, or possibly even if no invention is made.

Most agencies would prefer to obtain the rights to sublicense domestic municipal governments only when they determine it is in the public interest rather than try to determine when it is not in the public interest to obtain that right.

Sec. 305(a)(4) requires the contractor to elect "within a reasonable time after disclosure" whether it will patent an invention. Sec. 302(a) calls upon the contractor to exercise its option to retain title at the time of disclosure. The terminology and procedure should be consistent.

The purpose of the requiring a contractor to declare its intent to commercialize an invention is not clear. Sec. 305(a)(5) does not require a development or marketing plan, such as the Bayh-Dole Act requires for licensing of federally-owned inventions (35 U.S.C. §209(a)), so the declaration seems meaningless.

SEC. 306. BACKGROUND RIGHTS.

This provision is standard.

SEC. 307. GOVERNMENT LICENSING AUTHORITY.

Since the proposed law would repeal the Bayh-Dole Act, this section would reauthorize exclusive licensing of federally-owned inventions. Those agencies with extensive patent licensing programs might object to changing the licensing rules of the Bayh-Dole Act (35 U.S.C. §209), which are only now being put into final form.

SEC. 401. REPEAL . . .

Section 12 of the National Science Foundation Act of 1950 contains two subsections. Sec. 12(a) [42 U.S.C. §1871(a)] relates to patent rights under research-funding arrangements. Sec. 12(b) [42 U.S.C. §1871(b)] covers patents on inventions made by Foundation employees. It is not clear if both subsections, or only the first, are being repealed.

Notable ommissions from the draft bill

The proposed legislation concerns itself only with contractor inventions and Government licensing. The Carter Administration's "Government Patent Policy Act of 1980" also addressed patent rights to Federal employees' inventions.

The special restrictions on nonprofit organizations contained in §202(c)(7) of the Bayh-Dole Act are eliminated.

The "Preference for United States industry", §204 of the Bayh-Dole Act, is eliminated.

The restrictions on acquiring rights to "background" patents owned by small business firms and nonprofit organizations, §202(f) of the Bayh-Dole Act, are eliminated.

would resolve longstanding policy issues, answers to which the Congress, the Executive Branch, industry, and the public actively have sought for a generation. The bill is designed to reduce the administrative burden now imposed upon contractors and Government agencies alike.

Further, the bill responds to the 1972 recommendations to the Congress of the bipartisan Commission on Government Procurement, that legislation be enacted which would make uniform the Federal practices in the area of allocating the rights to contract inventions and make clear the government's authority to grant exclusive licenses under federally-owned inventions. The bill also would codify the basic policy concepts of Executive Order 10096, the provisions of which uniformly would be applicable to all Federal employees.

It is anticipated that, following enactment and implementation of this bill, greater commercial use will be made of the technology resulting from the Federal government's research and development effort, in turn creating additional employment, a higher standard of living, and an overall economic benefit to the United States as a whole, while protecting the public against any possible wrongful contractor conduct.

PROPOSAL

A BILL

To establish a uniform Federal system for management, protection, and use of inventions that result from federally sponsored or supported research or development, and for related purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Government Patent Policy Act of 1980".

TABLE OF CONTENTS

TITLE I—POLICY

FINDINGS

Sec. 101. The Congress, recognizing the profound impact of science, engineering, and technology policy on the well-being, health, and safety of the Nation, finds that:
(1) Inventions that result from federally sponsored or supported research and development constitute a valuable national resource;
(2) Federal policy on allocation of patent rights in such inventions should stimulate innovation, should meet the needs of the Government, should foster competition, should recognize the equities of Government contractors and Federal employee-inventors, and should provide small businesses and educational institutions with special incentives to participate in Federal research and development programs and to commercialize resulting inventions; and
(3) The public interest would be advanced if greater efforts were made to promote commercial use of new technology that results from federally sponsored or supported research and development.

PURPOSE

Sec. 102. The purposes of this Act are—
(1) To establish an effective Federal system for management and use of inventions that result from federally sponsored or supported research and development;
(2) To allocate patent rights in inventions that result from federally sponsored or supported research and development in ways that—
(A) Stimulate innovation,
(B) Encourage participation of all qualified contractors,
(C) Foster competition,
(D) Reduce administrative burdens on Federal agencies and their contractors,
(E) Promote widespread public use of inventions made with public support, and
(F) Provide special incentives to small businesses and educational institutions;
(3) To allocate equitably patent rights in Federal employee inventions;
(4) To provide for domestic and foreign patenting of federally owned inventions and licensing of federally-owned patent rights, with the objective of strengthing the Nation's economy and expanding its domestic and foreign markets; and
(5) To amend or repeal inconsistent laws.

TITLE II—CONTRACT INVENTIONS

CONTRACT INVENTIONS—REPORTING

Sec. 201. (a) This Title applies to "contract inventions", which in this Act are inventions made in the course of or under Federal contracts.
(b) Every contractor will provide the responsible agency with timely written reports on each contract invention containing:
(1) Complete technical information on the invention,
(2) A list of each country, if any, in which the contractor elects to file a patent application on the invention, and
(3) Unless the contractor is a small business or nonprofit organization, a list of each field of use in which the contractor intends to commercialize the invention or otherwise achieve public use of the invention. Each field will be described with sufficient particularity to allow the Government to identify those fields of use not encompassed by the described field.
The Government neither will publish nor release these reports until the contractor or the Government has had a reasonable time to file patent applications or one year has passed since receipt of all the information required by subsection (b)(1) of this section, whichever is earlier, and may so withhold such information in other reports or records.
(c) If the responsible agency determines that the contractor has unreasonably failed to file reports as required by subsection (b) of this section, the contractor may be deprived of any or all of the rights it otherwise would have under this Title.

ALLOCATION OF RIGHTS—SMALL BUSINESSES AND NONPROFIT ORGANIZATIONS

Sec. 202. (a) A contractor that is a small business or a nonprofit organization will acquire title to its contract invention in each country it lists under section 201(b)(2)

in which it files a patent applicat
be subject to the Government's r
rights under section 206.
(b) The Government will have
contract invention in each country
application or fails to file within a

ALLOCATION OF

Sec. 203. (a) The Government
invention whenever the contractor
(b) If such a contractor files wi
reported contract invention in a
receive an exclusive license under
exclusive right to grant sublicen
Government's minimum rights un
206.
(c) The contractor automaticall
receive an exclusive license, purs
after it provides the responsible a
disclosed by section 201(b), except
exclusive license in any field of u
within the ninety-day period that
of this section.
(d) The contractor will not acqu
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(1) Would be contrary to the req
(2) Would impair national securi
(3) Would violate the antitrust
license were deemed an acquisitio
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tion to the United States Court of
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determine the matter de novo and
nation, specifically including aut
exclusive license provided for by t
(f) If the responsible agency de
affected adversely, the agency ma
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Sec. 204. Any contractor that
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tract invention in all countries wh
in all fields of use and in all co
license under section 203. These
extent necessary to allow the Go
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MINIMU

Sec. 205. (a) The Government
contract invention:
(1) The right to require from
invention,
(2) A royalty-free worldwide rig
practiced for the Government, an
(3) The right to license or su
practice the invention or have it
time of contracting that acquisiti
(b) Whenever the Government
patent application and patent on
invention was made with Govern
ment has rights in the patents.

in which it files a patent application within a reasonable time. However, title will be subject to the Government's minimum rights under section 205 and march-in rights under section 206.

(b) The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

ALLOCATION OF RIGHTS—OTHER CONTRACTORS

Sec. 203. (a) The Government will acquire title to all patents on any contract invention whenever the contractor is not a small business or nonprofit organization.

(b) If such a contractor files within a reasonable time a patent application on a reported contract invention in any country it lists under section 201(b)(2), it will receive an exclusive license under the patent in each described field of use, with the exclusive right to grant sublicenses. However, its license will be subject to the Government's minimum rights under section 205 and march-in rights under section 206.

(c) The contractor automatically will acquire by operation of law the right to receive an exclusive license, pursuant to subsection (b) of this section, ninety days after it provides the responsible agency with all of the information required to be disclosed by section 201(b), except that it will not acquire the right to receive an exclusive license in any field of use as to which the agency notifies the contractor within the ninety-day period that it has made a determination under subsection (d) of this section.

(d) The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such a license—

(1) Would be contrary to the requirements of the agency's mission;

(2) Would impair national security; or

(3) Would violate the antitrust laws if the receipt by the contractor of such a license were deemed an acquisition of another corporation.

(e) An agency determination under subsection (d) of this section will include written reasons for the determination. The contractor may appeal the determination to the United States Court of Claims within sixty days after the contractor has been notified of the determination. That Court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination, specifically including authority to require that the contractor receive any exclusive license provided for by this section.

(f) If the responsible agency determines that the national interest would not be affected adversely, the agency may grant the contractor title to any contract invention in any foreign country in which the contractor agrees to file a patent application.

CONTRACTOR LICENSE

Sec. 204. Any contractor that complies with section 201(b) automatically will receive by operation of law nonexclusive, royalty-free licenses to practice the contract invention in all countries where it does not receive title under section 202 and in all fields of use and in all countries in which it does not receive an exclusive license under section 203. These nonexclusive licenses may be revoked only to the extent necessary to allow the Government to grant exclusive licenses under Title IV.

MINIMUM GOVERNMENT RIGHTS

Sec. 205. (a) The Government will have the following minimum rights in any contract invention:

(1) The right to require from the contractor written reports on the use of the invention,

(2) A royalty-free worldwide right or license to practice the invention or have it practiced for the Government, and

(3) The right to license or sublicense State, local, or foreign governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest.

(b) Whenever the Government has rights in any invention under this Title, each patent application and patent on the invention will include a statement that the invention was made with Government sponsorship or support and that the Government has rights in the patents.

MARCH-IN RIGHTS

Sec. 206. (a) In any field of use, the Government may wholly or partly terminate the contractor's title or exclusive rights in any patent on a contract invention; may require the contractor to grant appropriate licenses or sublicenses to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself. The Government may take such actions only—

(1) If the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the selected fields of use;

(2) If necessary to protect the national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) If the contractor's rights in the invention violate the antitrust laws if the contractor's original receipt of those rights were deemed an acquisition of assets of another corporation; or

(5) If the contractor has failed to comply with the reporting requirements of this Act.

(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

(c) Whenever under this section an agency requires a contractor to grant a license or sublicense, it may specify reasonable terms, including the royalties to be charged, if any; the duration of the license or sublicense; the scope of exclusivity; and the fields of use to be covered.

DEVIATION AND WAIVER

Sec. 207. (a) An agency may deviate from the allocation of patent rights in contract inventions provided for in any standard patent rights clause established under section 209 acquiring more or fewer rights in the inventions, to further the agency's mission and the public interest. It may so deviate on a class basis only in accordance with regulations issued either under section 209 or, unless prohibited by those regulations, by the agency. Case-by-case deviations may be authorized by the head of the agency or his designee, and described in the Federal Register.

(b) The national security and antitrust march-in rights reserved by sections 206(a)(2), 206(a)(4), and 206(c) may not be waived under any circumstances.

(c) Rights reserved by sections 203 and 206(a)(1) may be waived only:

(1) In contracts involving cosponsored, cost-sharing, or joint-venture research or development to which the contractor makes a substantial contribution of funds, facilities, technology, or equipment; or

(2) In contracts with a contractor whose participation is necessary for the successful accomplishment of the agency's mission but cannot be obtained under the standard patent rights clause.

TRANSFER OF RIGHTS TO CONTRACTOR EMPLOYEES

Sec. 208. The contractor's employee-inventor may receive some or all of the contractor's rights under this Title with the permission of the contractor and the approval of the responsible agency. The corresponding obligations of the contractor under this title then will become obligations of the employee-inventor.

REGULATIONS AND STANDARD PATENT RIGHTS CLAUSE

Sec. 209. The Office of Federal Procurement Policy will direct the issuance of regulations to implement this Title. The regulations will establish a standard patent rights clause or clauses, to be included in each Federal contract except as provided in section 207.

TITLE III—INVENTIONS OF FEDERAL EMPLOYEES

EMPLOYEE INVENTIONS

Sec. 301. This Title applies to "employee inventions", which in this Act are inventions made by Federal employees.

REPORTING OF INVENTIONS

Sec. 302. (a) Federal employees will file timely written reports on any inventions they make. Such reports will be made to the employee's agency and will contain complete technical information concerning the invention. The Government neither will publish nor release a report until there has been a reasonable time to file

patent applications or until one year has passed since the final disposition of rights under this Title, whichever is earlier.

(b) If the responsible agency determines that the employee-inventor unreasonably has failed to file a report as required by subsection (a) of this section, the employee may be deprived of any or all of the rights he otherwise would have under the Title.

CRITERIA FOR ALLOCATION OF RIGHTS

Sec. 303. The responsible agency will determine the rights of the Government and of Federal employee-inventors in any inventions made by employee-inventors through the use of the following criteria:

(1) If the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, the Government will acquire all rights in the invention.

(2) If the invention neither bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, but was made with a contribution from Federal funds, facilities, equipment, materials, or information not generally available to the public, or from services of other Federal employees on official duty, the employee-inventor will receive all rights in the invention, except as provided in paragraph (4) of this section. However, these rights will be subject to a nonexclusive, royalty-free, worldwide license to the Government to practice the invention or have it practiced for the Government.

(3) If the agency finds insufficient interest in an invention to justify exercising its rights under paragraph (1) of this section, it may permit the employee-inventor to receive any or all of those rights, subject to the Government's rights as described in paragraph (2) of this section. However, nothing in this paragraph will prevent the agency from publishing the invention or otherwise dedicating it to the public.

(4) If the agency determines that national security might be impaired if the employee-inventor were to receive rights in an invention under paragraph (2) or (3) of this section, the Government will acquire all rights in the invention.

(5) The Government will claim no rights under this Act in any employee-invention not covered by paragraphs (1) or (2) of this section.

(6) Notwithstanding paragraph (1) of this section, an agency may enter into agreements providing for appropriate allocation of rights in inventions that result from research or development to which other parties have substantially contributed.

PRESCRIPTIONS

Sec. 304. (a) There will be a rebuttable presumption that an employee invention falls within the criteria of section 303(1) if it was made by a Federal employee who is employed or assigned to—

(1) Invent, improve, or perfect any art, machine, manufacture, or composition of matter;

(2) Conduct or perform research or development work;

(3) Supervise, direct, coordinate, or review federally sponsored or supported research or development work; or

(4) Act as liaison among agencies or individuals engaged in the work specified in paragraphs (1), (2), or (3) of this subsection.

(b) There will be a rebuttable presumption that an invention falls within the criteria of section 303(2) if it was made by any other Federal employee.

REVIEW OF AGENCY DETERMINATIONS

Sec. 305. Agency determinations under sections 302 and 303 will be reviewed whenever—

(1) The agency determines not to acquire all rights in an invention, or

(2) An aggrieved employee-inventor requests a review. Standards and procedures for this review will be prescribed in the regulations issued under section 309.

REASSIGNMENT OF RIGHTS

Sec. 306. If an agency finds on the basis of new evidence that it has acquired rights in an invention greater than those to which the Government was entitled under the criteria of section 303, it will grant the employee-inventor such rights as may be necessary to correct the error.

INCENTIVE AWARDS PROGRAM

Sec. 307. (a) Agencies may monetarily reward and otherwise recognize employee-inventors as an incentive to promote employee inventions and the production and disclosure of employee inventions. For this purpose agencies may make awards under the Federal incentive awards system (5 U.S.C. Ch. 45, 10 U.S.C. Ch. 57, and implementing regulations), as modified by this section.

(b) The amount of an award for an invention will be based on—

(1) The extent to which the invention advances the state of the art;

(2) The scope of application of the invention;

(3) The value of the invention to the Government or the public; and

(4) The extent to which the invention has come into public use.

(c) Awards for an invention of up to $10,000 may be made by the head of an agency.

(d) Awards of over $10,000 but less than $35,000 may be made by the head of an agency to—

(1) Civilian employees, with the approval of the Office of Personnel Management;

(2) Members of the Armed Forces, with the approval of the Secretary of Defense;

(3) Members of the United States Coast Guard when not operating as a service in the Navy, with the approval of the Secretary of Transportation;

(4) Members of the Commissioned Corps of the United States Public Health Service, with the approval of the Secretary of Health and Human Services; and

(5) Members of the Commissioned Corps of the National Oceanic and Atmospheric Administration, with the approval of the Secretary of Commerce.

(e) Awards of more than $35,000 may be made to employee-inventors by the President upon recommendation of the head of an agency.

(f) Acceptance of a cash award under this section constitutes an agreement that any Government use of an invention for which the award is made forms no basis for further claims against the Governmetn by the recipient, his heirs, or his assigns.

(g) Any cash award or expense for honorary recognition of an employee-inventor will be paid from the fund or appropriation of the agency receiving the invention's primary benefit.

INCOME SHARING FROM PATENT LICENSES

Sec. 308. In addition to awards as provided in section 307, an agency may share income received from any patent license with the employee-inventor.

REGULATIONS

Sec. 309. (a) The Secretary of Commerce shall issue regulations to implement this Title.

(b) Any determination of an appointing official under subsection 208(b) of title 18, United States Code, that relates to promotion of an employee invention by the employee-inventor will be subject to regulations prescribed by the Secretary of Commerce with concurrence of the Office of Government Ethics and the Attorney General.

TITLE IV—LICENSING OF FEDERALLY-OWNED INVENTIONS

COVERED INVENTIONS

Sec. 401. This Title applies to the licensing of all federally-owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 206. However, it does not apply to licenses established by the other sections of Title II of this Act.

EXCLUSIVE OR PARTIALLY EXCLUSIVE LICENSES

Sec. 402. (a) An agency may grant exclusive or partially exclusive domestic licenses under federally-owned patent rights not automatically licensed under section 203 only if, after public notice and opportunity for filing written objections, it determines that—

(1) The desired practical application is not likely to be achieved under a nonexclusive license; and

(2) The scope of proposed exclusivity is not greater than reasonably necessary.

(b) An agency may grant exclusive or partially exclusive foreign licenses under federally-owned patent rights after public notice and opportunity for filing written objections and after determining whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

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(d) Agencies will maintain p
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Sec. 403. Each license gra
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(2) A royalty-free, worldwid
for the Government, and
(3) The right to license Sta
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Sec. 404. (a) The Governme
under section 402 in whole or
(1) If the licensee has not
action to achieve practical a
affected;
(2) If necessary to protect
(3) If necessary to meet re
tion;
(4) If the licensee's right
licensee's original receipt of
another corporation; or
(5) If the licensee has faile
(b) These march-in rights
initiative or on a petition fr

Sec. 405. The Office of P
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PATENT ENFOR

Sec. 501. Any exclusive
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Sec. 503. (a) Agency dete
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(c) An agency will not grant any license under this section if it determines that such a grant would violate the antitrust laws if the licensee's receipt of such a license were deemed an acquisition of assets of another corporation.

(d) Agencies will maintain periodically updated records of determinations to grant exclusive or partially exclusive licenses. These records will be publicly available.

MINIMUM GOVERNMENT RIGHTS

Sec. 403. Each license granted under section 402 will contain such terms and conditions as the agency finds appropriate to protect the interests of the Government and the public, including provisions reserving to the Government:

(1) The right to require from the licensee written reports on the use of the invention,

(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government, and

(3) The right to license State, local, or foreign governments to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest.

MARCH-IN RIGHTS

Sec. 404. (a) The Government will have the right to terminate any license granted under section 402 in whole or in part, but only—

(1) If the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in each of the fields of use affected;

(2) If necessary to protect national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) If the licensee's rights in the invention violate the antitrust laws if the licensee's original receipt of those rights were deemed an acquisition of assets of another corporation; or

(5) If the licensee has failed to comply with the terms of the license.

(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

REGULATIONS

Sec. 405. The Office of Federal Procurement Policy will direct the issuance of regulations specifying the terms and conditions upon which federally-owned patent rights may be licensed. An agency may deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

TITLE V—MISCELLANEOUS

PATENT ENFORCEMENT SUITS AND RIGHT OF INTERVENTION

Sec. 501. Any exclusive licensee under this Act may enforce rights under the license by bringing suit without joining the United States as a party. However, the licensee will give prompt notice of the suit to the Attorney General and to the agency that granted the license, and all parties will serve copies of papers on the Attorney General and the responsible agency as though they were parties to the suit.

BACKGROUND RIGHTS

Sec. 502. Nothing contained in this Act will be construed to deprive the owner of any background patent of rights under such a patent.

NOTICE, HEARING, AND JUDICIAL REVIEW

Sec. 503. (a) Agency determinations under sections 201, 206(a), and 206(c), and 404 will be made after public notice and opportunity for a hearing in which the United States, any agency, or any interested person may participate, and will include written reasons for the determination.

(b) The United States or any participant that may be adversely affected by an agency determination covered by subsection (a) of this section may appeal the determination to the United States Court of Claims within sixty days after the determination is issued. That Court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse of modify the agency determination.

RELATIONSHIP TO OTHER LAWS

Sec. 504. Nothing in this Act creates any immunities or defenses to actions under the antitrust laws.

AUTHORITY OF FEDERAL AGENCIES

Sec. 505. (a) Agencies may apply for, obtain, maintain, and protect patent rights in the United States and in foreign countries on any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest;

(b) Agencies may license federally-owned patent rights on terms and conditions consistent with Title V;

(c) Agencies may transfer patent rights to other agencies and accept them from other agencies, in whole or in part, without regard to the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471);

(d) Agencies may withhold publication or release of information disclosing any invention long enough for patent applications to be filed;

(e) Agencies may promote licensing of federally-owned patent rights by making market surveys, acquiring technical information, or otherwise enhancing the marketability of the inventions; and

(f) Agencies may enter into contracts necessary and appropriate to accomplish the purposes of this section.

RESPONSIBILITIES OF THE SECRETARY OF COMMERCE

Sec. 506. (a) The Secretary of Commerce will—

(1) Consult with other agencies about areas of science and technology with potential for commercial development.

(2) Coordinate a program to help agencies in exercising the authority given by section 505;

(3) Evaluate intentions referred by agencies to identify those with the greatest commercial potential and to promote their agencies.

(4) Help agencies seek and maintain patents in the United States and in foreign countries by paying fees and costs and by other means;

(5) Develop and manage a Government-wide program, with appropriate private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through dissemination of information about the technology; and

(6) Publish notice of all federally-owned patent rights that are available for licensing;

(b) There is authorized to be appropriated to the Secretary of Commerce such sums as may be necessary to enable the Secretary to carry out responsiblities under this section.

DEFINITIONS

Sec. 507. As used in this Act—

(1) Agency" means an "executive agency" of the Federal Government, as defined by section 105 of title 5, United States Code, and the military departments defined by section 102 of title 5, United States Code. "Responsible agency" means the agency which is party to a contract for the performance of research or development, has received patent rights from another agency, or has administrative jurisdiction over an employee-inventor.

(2) "Antitrust laws" means the laws included within the definition of the term "Antitrust laws" in section 1 of the Clayton Act (15 U.S.C. 12), as amended, and the Federal Trade Commission Act (15 U.S.C. 41 et seq.), as amended.

(3) "Contract" means any Federal contract, cooperative agreement, or grant that provides for performance of research or development substantially funded by the Government. It covers any assignment, substitution of parties, or subcontract of the same type under such a contract. It does not cover Federal price or purchase supports, or Federal loans or loan guarantees.

(4) "Contractor" means any person other than an agency that is a party to a contract.

(5) "Federal employee" means any civil service employee as defined in section 2105 of title 5, United States Code, and any member of the uniformed services.

(6) "Invention" means any invention that is or may be patentable under the laws of the United States. "Contract invention" is defined by section 201. "Employee invention" is defined by section 301.

(7) "Made" when used in relation to any invention means conceived or first actually reduced to practice.

(8) "Nonprofit organizat
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(9) "Patent rights" mean

(10) "Practical applicati
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(11) "Small business" m
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(13) "State" means a S
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(14) "Will", except as th
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Sec. 508. (a) Section 10(a)
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(b) Section 205(a) of the A
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(c) Section 501(c) of the
U.S.C. 951(c); 83 Stat. 742)
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(d) Section 106(c) of the N
U.S.C. 1395(c); 80 Stat. 721)

(e) Section 12 of the Nati
Stat. 149, 154) is repealed.

(f) Section 152 of the Ato
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(1) By repealing section 3
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(2) By striking out, in se
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(h) Section 6 of the Coal R
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(8) "Nonprofit organization" means universities and other institutions of higher education or an organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1954 (26 U.S.C. 501(c)) and exempt from taxation under section 501(a) of the Internal Revenue Code (26 U.S.C. 501(a)).

(9) "Patent rights" means patents and patent licenses and sublicenses.

(10) "Practical application" means manufacture of a machine, composition, or product, or practice of a process or system, under conditions which establish that the invention is being worked and its benefits are available to the public on reasonable terms.

(11) "Small business" means a small business concern, as defined in section 2 of Public Law 85-536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

(13) "State" means a State or territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico. "Local" refers to any domestic county, municipality, or other governmental entity.

(14) "Will", except as the context otherwise requires, has the same meaning as "shall".

AMENDMENTS TO OTHER ACTS

Sec. 508. (a) Section 10(a) of the Act of June 29, 1935, as added by title 1 of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085) is amended by striking out the following: "Any contracts made pursuant to this authority shall contain requirements making the results of research and investigations available to the public through dedication, assignment to the Government, or such other means as the Secretry shall determine.".

(b) Section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090) is amended by striking out the following: "Any contract made pursuant to this section shall contain requirements making the result of such research and investigations available to the public by such means as the Secretary of Agriculture shall determine.".

(c) Section 501(c) of the Federal Coal Mine Health and Safety Act of 1969 (30 U.S.C. 951(c); 83 Stat. 742) is amended by striking out the following: "No research, demonstrations, or experiments shall be carried out, contracted for, sponsored, cosponsored, or authorized under authority of this Act, unless all information, uses, products, processes, patents, and other developments resulting from such research, demonstration, or experiments will (with such exception and limitation, if any, as the Secretary or the Secretary of health, Education, and Welfare may find to be necessary in the public interest) be available to the general public.".

(d) Section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c); 80 Stat. 721) is repealed.

(e) Section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871; 64 Stat. 149, 154) is repealed.

(f) Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943) is repealed.

(g) The National Aeronautics and Space Act of 1958 (72 Stat. 426) is amended—

(1) By repealing section 305 (42 U.S.C. 2457). However, subsections (c), (d), and (e) of section 305 shall continue to be effective with respect to any application for patents in which the written statement referred to in subsection (c) of such section has been filed or requested to be filed by the Commissioner of Patents and Trademarks before the effective date of this Act;

(2) By striking out, in section 306(a) (42 U.S.C. 2458(a), "(as defined by section 305)"; and by striking out "the Inventions and Contributions Board, established under section 305 of this Act" and inserting instead: "an Inventions and Contributions Board which shall be established by the Administrator within the Administration";

(3) By inserting at the end of section 203(c) (42 U.S.C. 2478(c)) the following new paragraph:

"(14) To provide effective contractual provisions for reporting the results of the activities of the Administration, including full and complete technical reporting of any innovation made in the course of or under any contract of the Administration.";

(4) By inserting at the end of section 203 (42 U.S.C. 2478) the following new subsection,"

"(d) For the purposes of chapter 17 of title 35 of the United States Code the Administration shall be considered a defense agency of the United States." and

(5) By striking out the following in such section:

"(Including patents and rights thereunder)".

(h) Section 6 of the Coal Research and Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337) is repealed.

(i) Section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920) is amended by striking out the following: "Provided, however, That all research contracted for, sponsored, cosponsored, or authorized under authority of this Act shall be provided for in such a manner that all information, uses, products, processes, patents, and other developments resulting from such research developed by Government expenditure will (with such exceptions and limitations, if any, as the Secretary may find to be necessary in the interest of national defense) be available to the general public: And provided further, That nothing contained herein shall be construed as to deprive the owner of any background patent relating thereto to such rights as he may have thereunder." and by inserting instead a period.

(j) Section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634) is repealed.

(k) Subsection (e) of Section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5) is repealed.

(l) Except for paragraph (1), section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878) is repealed.

(m) Section 5(i) of the Tennessee Valley Authority Act of 1933 (16 U.S.C. 831d(i); 48 Stat. 61), is amended by striking both proviso clause at the end.

(o) Section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 88 Stat. 1211), is repealed.

(p) Section 3 of the Act of April 5, 1944 (30 U.S.C. 323; 58 Stat. 191), is repealed.

(q) The Resources Conservation and Recovery Act of 1976 (90 Stat. 2795) is amended—

(1) By repealing section 8001(c)(3) (42 U.S.C. 6981(c)(3); 90 Stat. 2831); and

(2) By striking out, in section 8004(c)(2) (42 U.S.C. 6984(c)(2)) the second sentence, "notwithstanding section 6881(c)(3) of this titel,."

(r) Section 12 of the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976 (15 U.S.C. 2511;— Stat. —) is repealed.

(s) Paragraph (r) of Section 19 of the Federal Nonnuclear Energy Research and Development Act of 1974, Public Law 93-577, as amended, Public Law 95-238, is repealed; subparagraph (g)4 of said Section 19 is amended by striking "under section 9 of this Act" in the first sentence.

(t) Section 112(d)(2) of Public Law 95-39 enacted on June 3, 1977, is amended by striking "shall be governed by the provisions of Section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 and".

(u) Section 408 of the Water Research and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1316) is repealed.

EFFECTIVE DATE

Sec. 509. This Act will take effect on the first day of the seventh month beginning after its enactment. Implementing regulations may be issued earlier.

SECTION-BY-SECTION ANALYSIS

TITLE I—POLICY

Sec. 101. Findings.

Section 101 states the finds of the Congress; namely, that:

"(1) Inventions that result from federally sponsored or supported research and development constitute a valuable national resource;

"(2) Federal policy on allocation of patent rights in such inventions should stimulate innovation, should meet the needs of the Government, should foster competition, should recognize the equities of Government contractors and Federal employee-inventors, and should provide small businesses and educational institutions with special incentives to participate in Federal research and development programs and to commercialize resulting inventions; and

"(3) The public interest would be advanced if greater efforts were made to promote commercial use of new technology that results from federally sponsored or supported research and development."

Sec. 102. Purpose.

Section 102 states the purposes of this Act which are responsive to the directive of Title I, Section 101(c) of P.L. 94-282, The National Science and Technology Policy, Organization and Priorities Act of 1976 that:

"Federal patent policies should be developed based on uniform principles, which have as their objective the preservation of incentives for technological innovation and the application or procedures which will continue to assure the full use of beneficial technology to serve the public."

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

SEP 21 1981

OFFICE OF
GENERAL COUNSEL

MEMORANDUM

SUBJECT: A BILL -- "Uniform Science and Technology Research and Development Utilization Act" (July 22, 1981) Office of Management and Budget Request for Comments

FROM: Benjamin H. Bochenek, Patent Counsel
Contracts & General Administration Branch (A-134)

TO: Deeohn Ferris
Office of Legislation (A-102)

I offer the following comments and/or suggestions for change:

Section 103(3), line 15, cancel "or", and in line 14, after "electrical" add "or other relevant". Since patenting of microorganisms and computer programs is now a possibility, this definition should be expanded,

Section 103 (11) & (12). Since the terms "Small business firm" and "nonprofit organization" do not appear elsewhere in the Act, there does not appear to be a need for these definitions.

Section 201(b)(2). First, does the authority of OFPP dominate? Second, why will the Secretary "recommend to the President?" This raises the following questions:

> Who will issue the rules, etc? Will it be the Secretary, the President, or each agency? Also, why is it necessary to "recommend" to the President with regard to matters of this sort? This seems to suggest that the President will issue the regulation.

Section 201(c)(2). Does the use of the word "accept" mean, upon voluntary submission to the Secretary or does "accept" really mean "acquire"? In other words, must an agency turn over its inventions either automatically or upon demand? This subparagraph needs clarification.

Section 301(a)(2) and (a)(3). These subparagraphs do not "flow" clearly from the preamble paragraph of Section 301.

Section 304(a)(1), lines 21-23. Perhaps this phrase should be made a separate subparagraph under 304(a), since it deals with a problem quite distinct from the rest of 304(a)(1).

Section 305(a)(2). As now worded, this provision seems to reserve to the United States a right to make, use and sell the invention not just on its own behalf, but also by acting on behalf of "States" and domestic municipal governments, unless the Agency - - - - - - -." Was it really intended that the United States act on behalf of "States and municipal governments"? It is presumed that the intention was to include a right to sublicense such governments. This should be clarified. However, more to the point, is that automatic inclusion of this condition (subject to the trouble of case by case removal) may be counterproductive to the Act's overall objective of stimulating technology development and utilization. This condition on the contractor's rights could materially reduce his potential for profit where, for example, pollution control technology is involved, since local governments often represent a significant segment of the market.

Section 305(a). It is suggested that the sequence of of subparagraphs be rearranged to more accurately reflect the usual sequence of events. Specifically, subparagraphs 1-6 should be renumbered, respectively as 5, 6, 1, 2, 3, and 4. In addition it is urged that a subparagraph be added that would require an election as to whether the contractor will retain title.

Section 305. It is urged that another subparagraph be added that would be essentially identical to section 207 of P.L. 96-517. This section deals with placing

authority in federal agencies to seek domestic and foreign patent protection.

Section 307. It is suggested that a paragraph be added specifically authorizing nonexclusive licenses. Since 307(a) is permissive ("may grant"), it is vague as to nonexclusive licenses.

Section 401(l). 42 U.S.C. 3253(c) has already been repealed.

Section 401(s). "Section 8001" should be changed to Section 8001(c)(3) and "42 U.S.C. 6981" should be changed to 42 U.S.C. 6981(c). In its present form, this subparagraph would repeal the entire research authority of the Solid Waste Disposal Act. Also, change "90 Stat. 2892" to 90 Stat. 2829.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 22 1981

MEMORANDUM TO: JIM FREY

FROM: JIM KELLY

SUBJECT: Congressional Draft Bill/Uniform Patent Legislation

This is in response to your Sept. 14, 1981 request for comments on a draft bill intended to establish a uniform government patent policy. This bill covers the following two components of government patent policy:

1. The allocation of inventions made under contract. (The draft bill defines "contract" as any contract, grant or cooperative agreement... entered into between any Federal agency and any person. See Secs. 301-306); and

2. The licensing of government-owned inventions. (See Sec. 201(c) and Sec. 307)

The draft bill covers subject matter under consideration by the Administration at this time due to the requirement by P.L. 96-517 to implement similar components of government patent policy by uniform regulation.

While the draft bill covers the allocation of inventions made by "any person", P.L. 96-517 is limited to allocation of inventions made by small businesses and nonprofit organizations. (See Sections 200-204 of P.L. 96-517.) In addition, P.L. 96-517 also covers licensing of government-owned inventions, but in greater specificity than the draft bill. (See Sections 207-209 of P.L. 96-517.)

P.L. 96-517 assigns to OFPP and GSA the drafting of regulations to implement the two components of government patent policy covered. OFPP, with the assistance of IGA/APB, is assessing over 100 comments on interim regulations implementing the allocation of invention rights provisions of P.L. 96-517. Concurrently, GSA is assessing comments on the interim regulations implementing the provisions of P.L. 96-517 covering licensing of government-owned inventions.

The primary intent of the draft bill is to extend to all previously excluded business firms the right of first refusal to ownership of inventions made under contracts, grants or cooperative agreements given to small business and nonprofit organizations by P.L. 96-517. While we view the extension of the first right of refusal concept of P.L. 96-517 to business concerns which were not covered, to be progressive under appropriate procedures and conditions, we have some misgivings on the procedures proposed to accomplish this.

Sec. 401(v) on page 21 of the draft bill repeals all the provisions of P.L. 96-517 that touch on the allocation of invention rights to small business and nonprofit organizations and the licensing of government-owned inventions. This, of course, results in elimination of all the administrative procedures that the contracting parties must undertake in order to accomplish a disposition of an invention right. In addition, the repeal eliminates all the conditions that might attach to: 1) the ownership of a small business or nonprofit organization invention; or 2) a license granted under a government-owned invention.

In lieu of the administrative procedures and conditions that would be repealed by the draft bill, the bill provides a new set of procedures and conditions that would apply equally to all contract, grant and cooperative agreement recipients. In some cases, the substitute procedures and conditions closely correspond to procedures and conditions in P.L. 96-517 which were repealed. In many other situations there are either decided differences or no similar procedure or condition substituted for those repealed.

The following are some examples of conditions which the draft bill would eliminate:

1. The prohibition on assignment of inventions by nonprofit organizations to other than patent management organizations. (Section 202(c)(7)(A) of P.L. 96-517) (This provision was ostensibly placed in P.L. 96-517 in order to prevent nonprofits from assigning future inventions to business concerns as a condition for obtaining a cost-sharing grant or contract from such concern.)

2. The requirement of nonprofit organizations to share royalties with their inventors. (Section 202(e)(7)(C) of P.L. 96-517) (Universities believed this to be an incentive necessary to induce invention reporting prior to publication by their inventors.)

3. The administrative procedures the federal agencies were required to undertake prior to obtaining rights in inventions made prior to contract without federal funds. These are commonly referred to as background inventions. (Section 202(f)(1) and (2)) (This provision was included at the request of small business concerns that pointed out that rights to these inventions were being acquired by the Federal agencies as a condition to receiving a contract.)

In addition, the draft bill's treatment of licensing of government-owned inventions eliminates virtually all the administrative procedures of P.L. 96-517 which were to be undertaken prior to the grant of an exclusive license plus all the conditions to be attached to such license. This would appear to leave the entire burden of creating a uniform licensing program to the Executive Branch by regulation contrary to the promise of uniformity suggested by the bill's title. If, as noted, the primary purpose of the draft is to extend the first right of refusal concept to all contractors, it is unclear why the bill is directed to extensive changes to the licensing of government-owned inventions' provisions of P.L. 96-517.

While we take no position on the many differences between the draft bill and P.L. 96-517, we wonder whether the drafter's technique of wiping the slate clean and starting fresh will enlist the support of the small business, non-profit and university communities. This question seems appropriate since we believe that these communities enthusiastically supported P.L. 96-517 through the legislative process and nothing in the public comments on the Act's implementing regulations appears to indicate any change in position.

It seems more appropriate to approach extending the first right of refusal to all recipients by limiting the draft bill to recipients not covered by P.L. 96-517 and permit P.L. 96-517 to stand as is, subject to changes necessary to achieve consistency where desirable or correct problems that have been identified since passage of P.L. 96-517.

We might add that if this procedure were acceptable, extending the first right of refusal to other business concerns could also be achieved by repealing a few outstanding statutes (i.e., those governing DOE, NASA) and crafting an executive order tailored to the needs of the Executive Branch. The Executive Order would achieve the result desired by the draft bill but we would have greater control over the administrative procedures and conditions attached to allocation.

Separate from the Administration's final position on the repeal of P.L. 96-517, we suggest that the responsibilities assigned to the Department of Commerce in the draft bill be assigned to a lead agency whose designation be left to the President.

National Aeronautics and
Space Administration

Washington, D.C.
20546

RJ-8/81,3
(1 new)

Moffett

Reply to Attn of: C

September 18, 1981

Mr. James M. Frey
Assistant Director
for Legislative Reference
Office of Mangement and Budget
Washington, D.C. 20503

Dear Mr. Frey:

This reponds to Mr. Robert E. Carlstrom's memorandum of September 14, 1981, requesting the views of the National Aeronautics and Space Administration on a Congressional Draft bill entitled "Uniform Science and Technology Research and Development Utilization Act." An important asspect of the draft bill is the establishment of a uniform, Government-wide approach for the disposition of rights to inventions made under Government-funded contracts, grants, and cooperative agreements, with emphasis on expeditious commercial utilization of such inventions.

NASA has over the years viewed its patent program as an integral part of broader overall efforts to stimulate the creation and identification of new technology in its programs and to foster the widest practical dissemination, utilization, and transfer of this new technology in commercial applications. Based on this, NASA's experience has been that the probability of transfer and commercial use of technlogy is enhanced when principal rights (title) are available to the innovative source--in this instance, the contractor or grantee--and therefore has in the past supported such an approach as long as the Government retains certain rights (commonly referred to as "march-in" rights) to assure that the invention will not be suppressed, and that the invention will be reasonably available to serve public health and safety needs and Government regulatory requirements.

NASA accordingly supports the thrust of Title III of the Draft Bill. This would provide a contractor, in most situations, the first option to retain title to inventions made under Federally-funded research and development contracts, grants and cooperative agreements, subject to march-in rights and a license for Governmental purposes. There are limited situations where the Government could acquire title at the time of contracting, with additional flexibility to subsequently waive title to the

contractor. Also, the Government would obtain title to any invention for which the contractor does not exercise the option to retain title.

Overall, this approach should, based on NASA's experience, enhance the commercial utilization of Government-funded technology while protecting the Government and the public interests. NASA does, however, have several technical comments which are subsequently discussed in detail. Also, the need for section 307 of Title III, which provides for Government-wide licensing authority, is questioned in that similar authority now exists as the result of the enactment of P.L. 96-517 and favorable implementing regulations are being developed.

NASA has strong reservations regarding Title II of the Draft Bill, which in effect establishes the Department of Commerce as lead agency, to preform certain policy and operational functions regarding the management of another agency's patent program. While there is no objection to cooperating and coordinating with a nonoperating agency--preferably through interagency committees or working groups--such as the Office of Science and Technology Policy and/or Office of Federal Procurement Policy for the purposes of developing uniform policies, there is grave concern over the prospect of any operating agency assuming policy or line operational functions such as coordinating, directing and reviewing the implementation and administration of another agency's program that is interrelated with an agency's missions as well as its procurement policies and practices.

Also, with respect to section 201(b)(4), NASA does not understand the need for, and the practical effect of, one agency determining with administrative finality a dispute another agency may have with an actual or prospective contractor, particularly when such matters may also be subject to the Administrative Procedures Act, the Contract Disputes Act, or a Protest to the General Accounting Office.

It is also noted that section 401(g) abolishes a very important authority of the NASA Administrator--that of making monetary awards for scientific and technical contributions which have significant value in the conduct of aeronautical and space activities. Such awards are not limited to "inventions" as defined in section 103. However, both NASA employees and contract employees who make inventions are recognized under this authority. Since this authority has no direct bearing on either Title II or Title III of the proposed bill, it is assumed there is no intent to abolish it, and that the wording of section 401(g) in this regard is inadvertent. Proposed language rectifying the situation is provided with the technical comments set forth below.

In addition to the foregoing overall views on the proposed bill, the following additional technical comments are made.

Section 103 Definiations

It is suggested that the definition of "contract" be limited to contract, grant or cooperative agreement (as used in P.L. 95-224) for the performance of experimental, developmental or research work funded in whole or in part by the Government. Otherwise such definition could be interpreted to encompass joint endeavors, reimburseable agreements, technical assistance agreements, and like arrangements where no Government funds are expended by the other party. It is felt that these latter agreements are unique, such that patent rights should be negotiated case-by-case, depending on the respective responsibilities and contributions of the parties. If, however, such arrangements are to be included in the definition, adequate flexibility should be provided in Title III to accommodate these unique situations.

Section 201(b)(4)

It is unclear who an "aggrieved party" is, particularly when read in conjunction with the hearings afforded "affected parties" in conjunction with the exercise of march-in rights under section304(b). Also, it is unclear whether the involved "disputes" are limited to the exercise of march-in rights or could include additional matters such as determinations under sections 301 and 303, the revocation of a contractor's license under section 302(b), and failure to report inventions or provide utilization reports as required by section 305.

Section 301(a) Rights of the Government

It appears that two of the criteria under which the Government acquires title (i.e., (1) and (5)) are non-discretionary and require title in the Government at the time of contracting when it is determined that certain facts exist; and that two of the criteria (i.e., (2) and (3)) are discretionary in that they require a determination of a need for the Government to acquire title for policy reasons. Clarification of this aspect is needed, especially when section 301(a) is read in conjunction with the waiver authority of section 303. Particularly, to the extent any of the criteira set forth in section 301(a) are discretionary, it would appear to be unnecessary to exercise such discretion in order for the Government to acquire title and then, exercise the additional discretion under section 303 to waive title back to the contractor. On the other hand, if the intent is to make it mandatory that the Government acquire title when any of the ennumerated criteria are found to exist, then flexible waiver authority becomes significant. Even then, however, it appears that the waiver authority should be limited to identified inventions made after contract; a class waiver would seem to nullify the criteria, thus bringing into question the reasons why they were made mandatory in the first instance.

Section 303 Waiver

Clarification is also needed as to the extent of the rights that may be waived under section 303. Particularly, it is not clear whether the terminology "...all or any part of the rights of the United States under this title..." provides authority to waive the march-in rights of section 304 and the Government's license required by section 305(a)(2), or that waiver should at all times be subject to such rights.

Section 304 March-in Rights

Regarding the "march-in" rights, no need is seen to require approval of the Secretary (of Commerce) in order for an agency to make the type of determinations set forth in section 304(a)(1). Such determinations are based on factual matters within the purview of an agency's patent program, and in the interest of assuring expeditious and beneficial utilization of the involved technology should be made as quickly and informally as possible. The contractor, of course, should be given notice, an opportunity to be heard administratively, and the right to judicial review before the determination is made final and acted on, but these are procedures best carried out by the agency responsible for the involved activity.

Also, it is unclear what the difference is between the determination to be made by an agency (stated in section304(a)(1)), and the determination to be made by the Secretary under section 304(b) after a formal hearing. It is further unclear who "affected parties" are from the wording of section 304(1): the contractor and the Government only; or also, a third-party applicant for a license or other interested third parties. This is further confused by section 201(b)(4) which authorizes the Secretary "to determine with administrative finality any dispute between an agency and an aggrieved party."

Section 401(g)

To correct what is an apparent inadvertent abolishment of the authority of 42 U.S.C. 2458(a), the following is proposed for subsection 401(g)(2):

> "(2) by amending section 306(a) thereof (42 U.S.C. 2458(a)) by striking out the following language in the first sentence thereof: '(as defined by section 305)'; and by striking out in the second sentence thereof 'the Inventions and Contributions Board, established under section 305 of this Act' and inserting in lieu thereof the following language: 'an Inventions and Contributions Board which shall be established within the Administration'."

At the same time, for clarity, the new section 305 proposed by section 401(g)(2) of the Draft Bill should be modified to read:

> "Section 305 WAIVER OF PATENT RIGHTS - Each proposal for any waiver of patent rights under section 303 of [cite proposed bill] shall be referred to the Inventions and Contributions Board established by the Administrator under section 306 of this Act. Such Board shall accord to each interested party an opportunity for hearing, and shall transmit to the Administrator its findings of fact with respect to such proposal and its recommendations for action to be taken with respect thereto."

The above language is suggested, only, and NASA would consider other techniques to correct the apparent inadvertence.

Subject to the above considerations, we support the objectives of the Draft Bill, particularly the approach for allocation of rights to inventions made under Government contracts, grants and cooperative agreements set forth in Title III.

Sincerely,

John F. Murphy
Director, Office of
Legislative Affairs

Treasury A-dvance

SUBJECT:

Congressional Draft Bill/Uniform Patent Legislation

TO:

Due to the time restriction, this office has been unable to consult with the various offices which would be impacted by this proposal.

However, based upon our cursory examination, it appears that the Secret Service may be adversely affected by title III since it would not permit the Secret Service to maintain the title to an invention even where it might be necessary to protect matters which could compromise protective operations.

There is no mechanism to spur Government agencies, once they acquire title, to develop for practical purposes by-products of inventions. On the other hand, numerous provisions in the draft bill (section 304) would ensure that the contractor utilizes an invention to the fullest extent. These same provisions should also apply to Government agencies. For example, as section 304 which provides for a hearing whenever an agency determines that a contractor is not developing an invention, the bill should also provide for a hearing whenever a contractor, or private individual, believes a Government agency is not developing an invention it has title to.

The definition of "small business firm" and "nonprofit organization" in section 103(11) and (12) should be deleted. A review of the entire bill indicates these entities are not mentioned further.

With certain exceptions, section 301 of the bill requires agencies to acquire title to any invention made under the contract of a Federal agency. The term "acquire title" is used often in the bill and should be clarified by either providing a definition within the bill or referencing to the proper statute which defines it. Further, when an agency acquires title to an invention pursuant to section 301 of the bill, it must file a determination statement with the Secretary of Commerce. It is unclear whether the Secretary must approve the proposed acquisition. Consequently, we suggest that the powers of the Secretary of Commerce, with regard to section 301, be clarified.