GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE
Washington, D.C. 20230

August 17, 1987

MEMORANDUM FOR: Brandon Blum

FROM: Art Watson

SUBJECT: Superconductivity Competitiveness Act of 1987

Attached are three documents constituting the partial comments of this Department on the Department of Justice's draft legislation entitled the "Superconductivity Competitiveness Act of 1987. The documents are -

(1) a statement regarding the scope of the proposed legislation and how it ought to be enlarged more fully to encompass the objectives of the President's superconductivity initiative;

(2) a proposed revision of title IV of the draft bill which gives effect to our suggestions; and

(3) a section-by-section analysis of our proposal.

In addition, I will forward to you tomorrow a few additional observations on a less significant order.

Please let me know what Commerce can do to assure full consideration of the attached package. We stand ready to discuss it at any time, at any level of detail.

Attachments (3)

The July 28, 1987 press release on the President's Superconductivity Initiative indicates among its primary objectives:

Better protecting intellectual property rights of scientists, engineers and businessmen working in superconductivity.

Implementation of Executive Order 12591 which is designed to: (1) transfer technology developed in Federal laboratories into the private sector; and (2) encourage Federal, university and industry cooperation in research.

Title IV of the proposed bill does not fully address these objectives. The Title does not resolve the problem of whether Federal laboratories and contractors have the right (even if agreed to by a Federal agency) to establish intellectual property rights in the form of copyrights or trade secrets to protect technology generated with Federal funds. It is clearly the intent of E.O. 12591 as indicated by Section 1.(b)(1)(B) and (b)(6) to resolve this in favor of permitting laboratories and contractors to establish such rights. It is our view this problem must be addressed because current laws such as P.L. 98-577 and P.L. 98-525 have been interpreted by some as precluding ownership of intellectual property rights to technical data and computer software by contractors. Further, current law precludes copyrighting the technical data and computer software made by government-employees (see 17 U.S.C. 105). Additionally, it is currently unclear whether Federal contractors, even if given ownership of technical data or computer software, would be

able to maintain such items in confidence if the items were in the possession of a Federal agency because of the agency's obligation to release under FOIA. Title IV addresses this last issue only in the context of Federal laboratories but not in terms of Federal contractors who have delivered technical data or computer software to a Federal agency.

Given title IV's failure to address these fundamental problems we do not view it possible to meet the primary objectives of the superconductivity initiative. Certainly in some instances the private sector without the guarantee of clear intellectual property protection will be unable or unwilling to pursue commercialization of federally-funded technology which is in early stages of development.

In light of the above, we offer the attached substitute for title IV. This substitute is intended to establish for the first time the right in the Executive Branch, notwithstanding any other law, to allow its agency laboratories and contractors to establish intellectual property protection in technical data or computer software generated with federal funding. Further, if this protection takes the form of holding technical data or computer software in confidence, laboratories and contractors' rights are protected from release of the technical data or computer software by exempting agencies from disclosure of such items under FOIA.

We are attaching as a matter of information an article on the Japanese initiative to manage technology generated by Japanese Government funding. It should be noted that the Japanese have the authority to maintain and transfer such technology in confidence.

TITLE IV - MANAGEMENT OF FEDERALLY FUNDED TECHNICAL DATA AND COMPUTER SOFTWARE

SEC. 401. Retention of Intellectual Property Rights

Notwithstanding any other provision of law -

(1) Each federal agency may permit federal contractors to retain ownership to any intellectual property rights that can be established to protect technical data or computer software generated under a federal contract in exchange for a license to meet agency needs.

(2) Each federal agency may grant the director of any of its government-operated laboratories the authority to retain ownership rights to technical data or computer software developed at the sole expense of the laboratory or jointly under a cooperative research and development agreement by establishing intellectual property protection, which may be assigned or licensed separately or granted in advance in connection with a cooperative research and development agreement.

SEC. 402. Disclosure of Technical Data and Computer Software

(a) Technical data or computer software obtained or generated by a federal agency under a contract shall not be disclosed to the public if -

(1) the head of the agency or his or her designee determines, at the time the contract is entered into, that -

(A) there is a reasonable expectation that technical data or computer software which may be obtained or generated

under the contract may be commercially valuable; and

(B) disclosure of such technical data or computer software could reasonably be expected to cause substantial harm to the proprietary interests of the contractor; and

(2) such contract provides that technical data or computer software obtained or generated by the agency under such contract shall not be disclosed to the public.

(b) Technical data or computer software developed at a laboratory by the federal government shall not be disclosed to the public if the head of the agency which operates the laboratory or his or her designee determines that -

(1) the technical data or computer software is commercially valuable; and

(2) there is a reasonable expectation that disclosure of the technical data or computer software could cause substantial harm to the commercial application of such information.

(c) Technical data or computer software obtained or generated by a federal agency under a cooperative research and development agreement shall not be disclosed to the public if -

(1) the head of the agency or his or her designee determines, at the time the cooperative research and development agreement is entered into, that:

(A) there is a reasonable expectation that technical data or computer software which may be obtained or generated under the cooperative research and development agreement may

be commercially valuable; and

(B) disclosure of such technical data or computer software could reasonably be expected to cause substantial harm to the proprietary interests of the non-federal party which enters into the cooperative research and development agreement; and

(2) such cooperative research and development agreement provides that technical data or computer software obtained or generated by the agency pursuant to such cooperative research and development agreement shall not be disclosed to the public.

SEC. 403. Definitions

As used in this title -

(1) The term "federal agency" means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

(2) The term "contract" means any contract, grant, or cooperative agreement as those terms are used in sections 6303, 6304, and 6305 of title 31, United States Code, entered into between any federal agency and any contractor for the performance of experimental, developmental, or research work funded in whole or in part by the federal government. Such term includes any assignment, substitution of parties, or subcontract of any type entered into for the performance of experimental, developmental, or research work under a contract as herein defined.

(3) The term "cooperative research and development agreement" means any agreement as defined in section 11(d)(1) of title 15, United States Code.

(4) The term "technical data" means recorded information of a scientific or technical nature regardless of form or the media on which it may be recorded.

(5) The term "computer software" means recorded information regardless of form or the media on which it may be recorded comprising computer programs or documentation thereof.

(6) The term "intellectual property" means trademarks, copyrights, trade secrets or the protection of semiconductor chip products, but for purposes of this title does not include patents.

(7) The term "laboratory" is as defined in section 11(d)(2) of title 15, United States Code.

SEC. 404. Regulations

The Office of Federal procurement Policy, in cooperation with the affected federal agencies, may issue regulations which may be made applicable to the federal agencies implementing sections 401 through 403 of this title and shall establish a standard contract provision to implement such sections.

SEC. 405. Effective Date

This title shall take effect on the date of enactment.

Section-by-Section Analysis

Section 401(a) - Establishes the authority in each federal agency to allow federal contractors to establish intellectual property protection in technical data or computer software generated with federal funding. This implements, in law, the intent of section 1(b)(6) of Executive Order 12591. Pursuing legal authority is considered appropriate because current laws such as P.L. 98-577 and P.L. 98-525 have been interpreted by some as precluding ownership of intellectual property rights to technical data and computer software by contractors.

Section 401(b) - Establishes the authority in directors of federal laboratories, if delegated by their agencies, to establish intellectual property protection in technical data or computer software generated with federal funding. This implements, in law, the intent of section 1(b)(1)(B) of Executive Order 12591. Pursuing legal authority here is considered necessary in light of the 17 U.S.C. 105 prohibition on creating copyright protection in publications made by federal employees. Further, the law is presently unclear whether the directors of federal laboratories can create a transferrable property right by holding technical data or computer software in confidence.

Section 402(a) - Exempts technical data or computer software to be delivered under contract to a federal agency from disclosure under FOIA if the head of the agency or his designee determines at the time the contract is entered into that the criteria of the section is met.

Section 402(b) - Exempts technical data or computer software developed at a laboratory by the federal government from disclosure under FOIA, if the head of the agency which operates the laboratory or his designee determines that the criteria of the section has been met.

Section 402(c) - Exempts technical data or computer software, which may be obtained or developed under a cooperative research and development agreement, from disclosure under FOIA if the head of the agency or his designee determines at the time the cooperative research and development agreement is entered into that the criteria of the section has been met.

Section 403 - Defines the terms federal agency, contract, cooperative research and development agreement, technical data, computer software, intellectual property, and laboratory.

Section 404 - Provides that the Office of Federal Procurement Policy (OFPP), in cooperation with the federal agencies, may issue regulations which may be made applicable to the federal agencies implementing sections 401 through 403 and establish a standard contract provision to implement such sections. This

section is not intended to create any regulatory authority in OFPP over cooperative research and development agreements.

Section 405 - Provides that the title shall take effect on date of enactment.