NATIONAL TECHNOLOGY TRANSFER CENTER
MARKETING AND ECONOMIC DEVELOPMENT
Wheeling Jesuit College/ 316 Washington Ave./ Wheeling, WV 26003
(304) 243-4400 Fax: (304) 243-4389

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Total number of pages: 9 **(including this cover sheet)**

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From: Joe Allen

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Telephone number: 304/243-4400 **Fax number: 304/243-4389**

Thank you.

See Ben Wu's cover sheet. Please call later today or tomorrow morning to discuss.

SUBCOMMITTEE ON TECHNOLOGY
COMMITTEE ON SCIENCE
U. S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515
202/225-8844
202/225-4438 - FAX

TO: JOE ALLEN FAX NUMBER: 304-243-4408 248-4389

FROM: BEN WU NUMBER OF PAGES: 8

MESSAGE:

Joe -

Here at last! This is the Administration letter. It's not very well done. In retrospect, this letter was not worth holding up introduction of the bill. Please review and let me know if you have comments. Thanks, Joe.

-Ben

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Technology
Washington, D.C. 20230

July 20, 1995

Congresswoman Constance A. Morella
Chairwoman, Technology Subcommittee
Committee on Science
U.S. House of Representatives
Suite 2320 Rayburn House Office Building
Washington, D.C. 20515-6301

Dear Chairwoman Morella:

Thank you for your letter of May 12, 1995 and for the opportunity to comment on the proposed draft text of the Technology Transfer Improvements Act of 1995 dated April 17, 1995.

We support the objective of your draft bill to facilitate the licensing of inventions made under cooperative research and development agreements between Government laboratories and private companies. Commercialization of technology and industrial innovation in the U.S. is more likely to occur when the private sector, rather than the Federal Government, pursues jointly developed technology, so as to incorporate the fruits of the technology into commercial products and processes.

We note that your bill provides the collaborator with at least an option for an exclusive field-of-use license in any invention made in whole or in part by a laboratory employee. Although this is now the standard practice in many Federal laboratories, your bill would ensure that it will become the policy for all laboratories. The guaranteed option represents an appropriate balance of rights between the laboratory and the collaborator which will better promote commercialization while reducing the time spent on negotiation.

However, we have a number of recommended changes to the bill, which we believe will better achieve its objective. These changes are contained in the enclosure. Of the changes, there are several that we would like to highlight.

One relates to a proposed amendment to the statutory patent policy established by the American Technology Preeminence Act of 1992 for the Advanced Technology Program (ATP). The Preeminence Act made a number of beneficial changes to the original ATP statute to emphasize that the program was to be "industry led" and that ATP was intended by Congress to promote the competitiveness of U.S. firms in world markets. Among the changes in the Preeminence Act was the creation of a patent policy which requires that title to inventions made under ATP rest with U.S. businesses, thus assuring the results of ATP-funded research would be readily available to the U.S. companies that had participated in the development. The draft bill,

however, would overturn this policy and substitute for it the requirements of the Bayh-Dole Act. This would have the effect of permitting universities to take title to any of the inventions funded in part by U.S. business under ATP.

Although the Department of Commerce continues to be a strong supporter of the Bayh-Dole Act, we believe that application of this law to ATP would be inconsistent with the objectives of ATP and would undermine the contributions that the program is now making to the economic health of this country. We are particularly concerned about this proposed amendment because it does not relate to the Federal Technology Transfer Act to which the draft bill is directed. Nor was it ever discussed with NIST or debated in any hearing. We do, however, recognize the importance of active participation in ATP by universities and for that reason supported legislation in the last Congress which would have given ATP funding recipients flexibility in the allocation of patent ownership and rights. This proposal, which was included in S. 4, was a carefully crafted compromise acceptable to representatives of the university community and the Department. You will find the desired language in recommended change no. 1 of the enclosure to this letter.

Another change relates to the minimum rights the Government acquires in inventions made solely by collaborators. The draft bill would drop the automatic license to the Government in 15 U.S.C. § 3710a(b)(3). However, we think that the Government should normally receive a royalty-free license in such inventions for research or other Government purposes.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to the Congress.

Sincerely,

Mary Lowe Good

Mary Lowe Good

Enclosure

cc: John D. Rockefeller, IV
Committee on Commerce, Science and Transportation
U.S. Senate

John Tanner
Committee on Science
U.S. House of Representatives

Mark Bohannon
Chief Counsel for Technology

Draft Text, H.R._____(April 17, 1995), a bill to amend the Stevenson-Wydler Technology Innovation Act of 1980

Recommended Changes

1. Addendum (1). The proposed change to the ATP legislation is not consistent with the position negotiated between the Department, Senate staff and university representatives on S. 4. The agreed-upon language is as follows:

> "Section 28(d)(11)(1) of the National Institute for Standards and Technology Act (15 U.S.C. 278n(d)(11)(A)) is amended by striking the period at the end of the first sentence and inserting in lieu thereof the following:
>
> > 'or any other person otherwise eligible to participate in an eligible joint venture, as agreed by the parties, receiving funding under any particular award, notwithstanding the requirements of section 202(a) and (b) of title 35, United States Code.'."

Absolutely NO

We recommend that the above language be substituted for Addendum (1).

2. Sec. 2, paragraph (3), pg. 2, line 20. Delete "they develop jointly" and replace with "arise out of joint research."

OK

> Comment: The bill covers all CRADA inventions and is not limited to inventions jointly made by a collaborator and a Federal laboratory.

3. Sec. 3, subparagraph (b)(1), pg. 3, line 13. At the end of the first sentence, add "and under reasonable terms and conditions."

Absolutely NOT

> Comment: The laboratory should have the flexibility to negotiate for terms in addition to compensation.

4. Sec. 3, subparagraph (b)(1), pg. 3, line 16. Add after "agreement," ", which normally will be limited to the technology encompassed by the cooperative research and development agreement."

> Comment: The field of use license the colaborator receives should relate to the scope of the cooperative research and development agreement.

NO to mandatory - Redundant

5. Sec. 3, subparagraph (b)(1), pg. 3, line 16. After "agreement," add "without being subject to the requirements in 35 U.S.C. § 209."

Comment: This is to clarify that patent licenses granted under CRADAs are not subject to the requirements in 35 U.S.C. § 209.

6. Sec. 3, subparagraph (b)(1), pg. 3, line 20 - pg. 4, line 8. Delete starting with "In consideration for . . . " and ending with "non-Federal party."

Comment: This subparagraph is confusing because the collaborator does not need to grant the Government any rights in any inventions made in whole or in part by Government employees. For inventions made by GOCO employees, the Government usually retains at least a royalty-free license. Accordingly, it would be simpler if the license in (b)(1)(A) were included under (b)(1)(B) as set forth in comment no. 7, below. There is also no need to provide for a FOIA exemption which already exists in 15 U.S.C. § 3710a(c)(7)(A) and (B). On the other hand, if this provision is intended to expand the existing exemption, it would hinder the Government's use of CRADA information created by Government employees and so should be deleted.

7. Sec. 3, subparagraph (b)(1), pg. 4, line 9. Change "(B)" to "(A)," delete "the right" and insert the following subparagraph:

"(i) a nonexclusive, nontransferable, irrevocable, paid-up license to practice the invention or have the invention practiced throughout the world by or on behalf the Government and such other rights as the Government deems appropriate."

Comment: This amendment retains the language in 15 U.S.C. § 3710a(b)(2).

8. Sec. 3, subparagraph (b)(1), pg. 4, lines 12 - 17. Change "(i)" to "(ii)," add "the right" before "to require" and delete "to use the invention in the applicant's licensed field of use."

Comment: This amendment renumbers the subparagraph and removes a phrase which is unnecessary in view of the reasonable terms and conditions and to make it consistent with the march-in rights in the Bayh-Dole Act.

9. Sec. 3, subparagraph (b)(1), pg. 4, line 18. Change "(ii)" to "(iii)."

Comment: Renumbering is necessary in view of the proposed amendment.

10. Sec. 3, subparagraph (b)(1), pg. 4, line 19. Add "the right" before "to grant."

Comment: This change is necessary in view of the proposed amendment.

11. Sec. 3, subparagraph (b)(1), pg. 4, line 20. Change "(C)" to "(B)," "shall" to "may" and "subparagraph (B)" to "subparagraphs (A)(ii) and (iii)."

Comment: Renumbering is necessary in view of the proposed amendment. Also, since the exercise of march-in rights is permissive, "may" should be used.

12. Sec. 3, subparagraph (b)(2), pg. 5, line 7. Change "(c)(4)(B)" to "(c)(4)(A)."

Comment: This change is necessary in view of the proposed amendment.

13. Sec. 3, subparagraph (b)(2), pg. 5, line 7. After subparagraph (c)(4)(B), delete "." add "; or" and the following new subparagraph:

"(iv) the collaborating party has not taken, and is not expected to take within a reasonable time, effective steps to achieve practical application in the field of use."

Comment: A march-in right should be included to ensure commercialization.

14. Sec. 3, subparagraph (b)(2), pg. 5, line 8-11. Delete and insert the following:

"Under agreements entered into pursuant to subsection (a)(1) of this section, the laboratory shall ensure that a collaborating party may retain title to any invention made solely by its employee in exchange for normally granting the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the invention or have the invention practiced throughout the world by or on behalf of the Government for research or other Government purposes."

Comment: The Government should have certain minimum rights in collaborators' inventions, which could include either a research or a full Government purposes license. However, the use of the word "normally" would permit the Government not to require any license.

15. Sec. 3(B), pg. 5, line 22 delete "and," on pg. 6, line 4, change "." to ";" and add after (b)(3)(C) on pg. 6, the following:

"and (D) determine rights in other intellectual property developed under the agreement."

Comment: This amendment retains existing 15 U.S.C. § 3710a(b)(4), which is not controversial.

16. Sec. 4, subparagraph (1), pg. 7, line 8. Change "Government-operated" to "Federal."

Comment: This would permit DOE to retain royalty income from its licensing of GOCO inventions.

17. Sec. 4, subparagraph (1), pg. 7, line 17. After "coinventors" in subparagraph A(i), add:

"if the inventor or coinventor has assigned his or her rights in the invention to the United States"

Comment: This amendment retains the language in 15 U.S.C. § 3710c(a)(1)(A)(i).

18. Sec. 6, pg. 11, line 21. Delete "as amended."

Comment: This amendment more clearly indicates that any amendments to the Stevenson Wydler Act, not just the Federal Technology Transfer Act, would be covered.

19. Addendum (2). We do not see the need to index the $2,000 annual royalty threshold to the CPI before the Government receives its share because employee awards are generally not indexed. However, agencies would not be precluded from raising the threshold or the royalty sharing rate for their own inventors. In fact, a number of agencies already provide for more than the statutory minimum share, such as the Department of Commerce which gives its inventors 30% of its royalties. Further, the justification for indexing the threshold appears to be based on a misunderstanding of the bill, which would give inventors the first $2,000 of royalties, not 15% of $2,000.

20. There are also other amendments to the FTTA, which should be made.

a. In 15 U.S.C. § 3710d(a), Government inventors are given the rights to their inventions if the Federal agency does not intend to file for a patent application or otherwise commercialize inventions made under the FTTA. However, once the patent application or patent has been assigned to the Government, there is no mechanism to transfer rights back to the inventor other than by exclusive licensing. Reassignment may be appropriate if the agency does not want to pursue prosecution in the PTO or in a foreign patent office. In addition, an agency may not want to pay a maintenance fee due on an issued patent or an annuity for a foreign patent because the patent is not licensed. Thus, rather than let the patent application go abandoned or the patent lapse, some agencies would like the authority to reassign the patent application or patent back to the inventor. This can be accomplished by:

i. amending paragraph (a) of § 3710d to insert after "or otherwise to promote commercialization of such invention,"

"or continue the prosecution of any patent application or pay any fee required to maintain any patent in force," and

ii. inserting after "to retain title to the invention,"

"or reacquire title to the application or patent"

b. In addition, since we think the intent of the FTTA was to give Government employees residual rights in their inventions regardless of whether they were made under CRADAs, we recommend deletion of "under this Act" in 15 U.S.C. § 3710d(a).

c. Finally, the annual maximum total amount of royalties in 15 U.S.C. § 3710c(a)(4) that a Government employee may receive from all of his or her inventions should be raised from $100,000 to $150,000. The 9-year old ceiling should take inflation into consideration.

TOTAL P.08