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From: Joe Allen
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Thank you.

This is the most recent copy of the Morella Bill that I have. Ben Wu's office is checking to see if there was one after this one. If I receive a more updated version from them, I will fax it to you.

NIST NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
UNITED STATES DEPARTMENT OF COMMERCE
Technology Administration

TECHNOLOGY DEVELOPMENT PROGRAM
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Morelli

TO: Joe Allen

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FROM: Bruce E. Mattson

DATE: 5/3/95

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MESSAGE:

Joe - FYI, Attached is the latest version of Vince Morelli's Bill. The "Summary" evidently comes from Morelli's office

Cordially, Bruce

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Federal Laboratory Consortium

May 1, 1995

Fax To: FLC Executive Committee
FLC Deputy Regional Coordinators
FLC Agency Representatives
FLC Legal Issues Subcommittee

cc: Jay Winchester

Re: Draft Text on Morella Legislation

From: Tyrone C. Taylor, Washington, D.C. Representative

Number of Pages: 14 pages (including this page)

F.Y.I. -- Attached please fins the draft text for Congresswoman Constance Morella's (R-MD) bill which amends the Stevenson-Wydler Technology Innovation Act. The focus of the bill is on "Title to Intellectual Property Arising from Cooperative Research and Development Agreements." Also attached is a "Summary of the Provisions of the Technology Transfer Improvements Act of 1995."

Mr. Jay Winchester (Chairman, FLC Legal Issues Committee) will be responsible for preparing an FLC response to this draft legislation. Comments are due to Congresswoman Morella's office by May 19th.

WASHINGTON D.C. REPRESENTATIVE
1850 M Street, N.W. • Suite 800 • Washington, D.C. 20036 • (202) 331-4220 • TYRONE C. TAYLOR
FAX: (202) 331-4200

[DRAFT TEXT]

APRIL 17, 1995

104TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

MRS. MORELLA introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Stevenson-Wydler Technology Innovation Act of 1980 with respect to inventions made under cooperative research and development agreements, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Technology Transfer Improvements Act of 1995".

SEC. 2. FINDINGS.

The Congress finds the following:

(1) Bringing technology and industrial innovation to the marketplace is central to the economic, environmental, and social well-being of the people of the United States.

(2) The Federal Government can help United States business to speed the development of new products and processes by entering into cooperative research and development agreements which make available the assistance of Federal laboratories to the private sector, but the commercialization of technology and industrial innovation in the United States depends upon actions by business.

(3) The commercialization of technology and industrial innovation in the United States will be enhanced if companies, in return for reasonable compensation to the Federal Government, can more easily obtain exclusive licenses to inventions which they develop jointly with scientists employed by Federal laboratories. arise out of joint research

SEC. 3. TITLE TO INTELLECTUAL PROPERTY ARISING FROM COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS.

Subsection (b) of section 12 of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3710a(b)) is amended to read as follows:

"(b) ENUMERATED AUTHORITY.—(1) Under an agreement entered into pursuant to subsection (a)(1), the laboratory may grant, or agree to grant in advance, to a collaborating party patent licenses or assignments, or options thereto, in any invention made in whole or in part by a laboratory employee under the agreement, for reasonable compensation when appropriate. The laboratory shall ensure that the collaborating party has the option to choose an exclusive license for a field of use for any such invention under the agreement or, if there is more than one collaborating party, that the collaborating parties are offered the option to hold licensing rights that collectively encompass the rights that would be held under such an exclusive license by one party. In consideration for the Government's contribution under the agreement, grants under this paragraph shall be subject to the following explicit conditions:

"(A) A nonexclusive, nontransferable, irrevocable, paid-up license from the collaborating party to the laboratory to practice the invention or have

the invention practiced throughout the world by or on behalf of the Government. In the exercise of such license, the Government shall not publicly disclose trade secrets or commercial or financial information that is privileged or confidential within the meaning of section 552(b)(4) of title 5, United States Code, or which would be considered as such if it had been obtained from a non-Federal party.

"(B) If a laboratory assigns title or grants an exclusive license to such an invention, the Government shall retain the right—

"(i) to require the collaborating party to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive license to use the invention in the applicant's licensed field of use, on terms that are reasonable under the circumstances; or

"(ii) if the collaborating party fails to grant such a license, to grant the license itself.

"(C) The Government shall exercise its right retained under subparagraph (B) only if the Government finds that—

"(i) the action is necessary to meet health or safety needs that are not reasonably satisfied by the collaborating party;

"(ii) the action is necessary to meet requirements for public use specified by Federal regulations, and such requirements are not reasonably satisfied by the collaborating party; or

"(iii) the collaborating party has failed to comply with an agreement containing provisions described in subsection (c)(4)(B).

"(2) Under an agreement entered into pursuant to subsection (a)(1), the collaborating party shall have the option to retain title to any invention made solely by an employee of the collaborating party.

"(3) Under an agreement entered into pursuant to subsection (a)(1), a laboratory may—

"(A) accept, retain, and use funds, personnel, services, and property from a collaborating party and provide personnel, services, and property to a collaborating party;

"(B) use funds received from a collaborating party in accordance with subparagraph (A) to hire personnel to carry out the agreement who will not be subject to full-time-equivalent restrictions of the agency; and

"(C) to the extent consistent with any applicable agency requirements or standards of conduct, permit an employee or former employee of the lab-

oratory to participate in an effort to commercialize an invention made by the employee or former employee while in the employment or service of the Government.

"(4) A collaborating party in an exclusive license in any invention made under an agreement entered into pursuant to subsection (a)(1) shall have the right of enforcement under chapter 29 of title 35, United States Code.

"(5) A Government-owned, contractor-operated laboratory that enters into a cooperative research and development agreement pursuant to subsection (a)(1) may use or obligate royalties or other income accruing to the laboratory under such agreement with respect to any invention only—

"(A) for payments to inventors;

"(B) for a purposes described in clauses (i), (ii), and (iv) of section 14(a)(1)(B); and

"(C) for scientific research and development consistent with the research and development missions and objectives of the laboratory.".

SEC. 4. DISTRIBUTION OF INCOME FROM INTELLECTUAL PROPERTY RECEIVED BY FEDERAL LABORATORIES.

Section 14 of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3710c) is amended—

(1) by amending subsection (a)(1) to read as follows:

"(1) Except as provided in paragraphs (2) and (4), any royalties or other payments received by a Federal agency from the licensing and assignment of inventions under agreements entered into by Federal laboratories under section 12, and from the licensing of inventions of Government-operated laboratories under section 207 of title 35, United States Code, or under any other provision of law, shall be retained by the agency whose laboratory produced the invention and shall be disposed of as follows:

"(A)(i) The head of the agency or laboratory, or such individual's designee, shall pay each year the first $2,000, and thereafter at least 15 percent, of the royalties or other payments to the inventor or coinventors.

"(ii) An agency or laboratory may provide appropriate incentives, from royalties or other payments, to employees of a laboratory who contribute substantially to the technical development of licensed or assigned inventions between the time that the intellectual property rights to such inventions are legally asserted

and the time of the licensing or assigning of the inventions.

"(iii) The agency or laboratory shall retain the royalties and other payments received from an invention until the agency or laboratory makes payments to employees of a laboratory under clause (i) or (ii).

"(B) The balance of the royalties or other payments shall be transferred by the agency to its laboratories, with the majority share of the royalties or other payments from any invention going to the laboratory where the invention occurred. The royalties or other payments so transferred to any laboratory may be used or obligated by that laboratory during the fiscal year in which they are received or during the succeeding fiscal year—

"(i) to reward scientific, engineering, and technical employees of the laboratory, including developers of sensitive or classified technology, regardless of whether the technology has commercial applications;

"(ii) to further scientific exchange among the laboratories of the agency;

succeeding the fiscal year in which the royalties and other payments were received shall be paid into the Treasury.";

(2) in subsection (a)(2)—

(A) by inserting "or other payments" after "royalties"; and

(B) by striking "for the purposes described in clauses (i) through (iv) of paragraph (1)(B) during that fiscal year or the succeeding fiscal year" and inserting in lieu thereof "under paragraph (1)(B)";

(3) in subsection (a)(4)—

(A) by striking "income" each place it appears and inserting in lieu thereof "payments";

(B) by striking "the payment of royalties to inventors" in the first sentence thereof and inserting in lieu thereof "payments to inventors";

(C) by striking "clause (i) of paragraph (1)(B)" and inserting in lieu thereof "clause (iv) of paragraph (1)(B)";

(D) by striking "payment of the royalties," in the second sentence thereof and inserting in lieu thereof "offsetting the payments to inventors,"; and

"(iii) for education and training of employees consistent with the research and development missions and objectives of the agency or laboratory, and for other activities that increase the potential for transfer of the technology of the laboratories of the agency;

"(iv) for payment of expenses incidental to the administration and licensing of intellectual property by the agency or laboratory with respect to inventions made at that laboratory, including the fees or other costs for the services of other agencies, persons, or organizations for intellectual property management and licensing services; or

"(v) for scientific research and development consistent with the research and development missions and objectives of the laboratory.

"(C) All royalties or other payments retained by the agency or laboratory after payments have been made pursuant to subparagraphs (A) and (B) that is unobligated and unexpended at the end of the second fiscal year

(E) by striking "clauses (i) through (iv) of"; and

(4) by amending paragraph (1) of subsection (b) to read as follows:

"(1) by a contractor, grantee, or participant, or an employee of a contractor, grantee, or participant, in an agreement or other arrangement with the agency, or".

SEC. 5. EMPLOYEE ACTIVITIES.

Section 15(a) of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3710d(a)) is amended—

(1) by striking "the right of ownership to an invention under this Act" and inserting in lieu thereof "ownership of or the right of ownership to an invention made by a Federal employee"; and

(2) by inserting "obtain or" after "the Government, to".

SEC. 6. AMENDMENT TO BAYH-DOLE ACT.

Section 210(e) of title 35, United States Code, is amended by striking ", as amended by the Federal Technology Transfer Act of 1986,".

SUMMARY OF THE PROVISIONS OF THE TECHNOLOGY TRANSFER IMPROVEMENTS ACT OF 1995

The Act amends the Federal Technology Transfer Act of 1986 giving assurances to U.S. industry that sufficient rights to intellectual property resulting from collaborative agreements with federal laboratories will be granted to justify prompt commercialization of resulting discoveries. The bill also provides important new incentives to federal laboratory personnel to partner with industry at a time that both need to work closer together for their mutual benefit. Finally, the bill provides several clarifying amendments to strengthen the current law.

Summary

Section 3(b) Guarantees an industrial partner to a joint cooperative research and development agreement (CRADA) the option to select either an exclusive or non-exclusive license to the resulting invention. This option provides needed flexibility so that both one-to-one agreements and consortia can proceed rapidly under the Act. In the case of consortia, exclusivity to one partner may not be appropriate, so other licensing scenarios are provided to move the technology into commercialization. The important factor is that industry selects which option makes the most sense under the CRADA.

Section 3(b)(1)(A) reiterates Government's right to use the invention for its legitimate needs, but stresses the obligation to protect from public disclosure any information classified as privileged or confidential under exemption 4 of the Freedom of Information Act. This is not an unreasonable burden on the Government, and is an important assurance to industry that their investments in the CRADA will be protected.

Section 3(b)(1)(B) provides when the laboratory assigns ownership or an exclusive license to the industry partner that licenses to others may be required if needed to satisfy public health, safety, regulatory, or the failure to manufacture resulting technologies in the U.S. This parallels similar provisions in the Bayh-Dole Act covering universities and non-profit organizations. This assures the public that their interests in the R&D are also being considered.

Section 3(b)(2)(A) clarifies current law defining what contributions laboratories can make in a CRADA. The words "facilities, equipment, or other resources" are substituted for the current word "property" giving greater guidance to the agencies as to what contributions they can make to the agreement. The language does not change the current prohibition on providing federal funds to CRADAs.

Section 3(b)(2)(B) clarifies that agencies may use royalties to hire temporary personnel to assist in the CRADA or related projects. Currently many agencies face a cap on bringing on additional personnel because of federal downsizing. The current language will not affect downsizing, but allows the laboratories with sufficient royalty funds to bring in needed temporary staff to make partnerships under the Act successful. This is accomplished without requiring any additional public funds.

Section 3(b)(2)(C) simply restates the current provision allowing employees and former laboratory employees to work on the commercialization of their inventions under the Act.

Section 3(b)(3) is a new provision allowing the industry collaborator to own inventions made solely by their employees under a CRADA. The Government retains a government-use license as mentioned above. This is another important guarantee to industry that every effort will be made to smooth the way for prompt commercialization of resulting inventions, and recognizes that in this class of inventions the industrial partner has made a significant investment warranting ownership.

Section 3(b)(4) enumerates how Government-owned, contractor-operated laboratories may use resulting royalties. A separate section for Government-owned and operated laboratories follows. This provision makes these policies more consistent. Congress has been addressing this issue on a piece-meal basis (under the Bayh-Dole Act, the Federal Technology Transfer Act of 1986 and the Technology Transfer Competitiveness Act of 1989).

Section 4 responds to criticisms made by the General Accounting Office and witnesses in the hearing in the 103rd Congress that agencies are not sufficiently rewarding laboratory personnel.

Sec 14(a)(1)(A)(i) now mandates that agencies must annually pay inventors at least 15% of the first $2,000 in royalties received by the agency for the inventions made by the employee. The section also allows for rewarding other lab personnel involved in the project, permits agencies to pay for related administrative and legal costs, and provides a significant new incentive by allowing the laboratory to use royalties for related research in the laboratory. This is a very important incentive at a time of shrinking federal R&D budgets. The U.S. public also benefits because the laboratories could perform additional mission-related R&D without cost to the taxpayers.

Section 5 corrects confusion that has arisen in some agencies that whenever Government takes ownership of an employee's invention that it cannot subsequently waive ownership to inventions that it does not intend to pursue. The current amendment clarifies the original Congressional intent that rights to inventions should be given to employees when the agency is not pursuing them.