JAN 12 1982

MEMORANDUM FOR: HONORABLE MALCOLM BALDRIDGE
SECRETARY OF COMMERCE

FROM: DAVID A. STOCKMAN D. A. S.
DIRECTOR

SUBJECT: Assignment of Lead Agency for Implementation of P.L. 96-517

As you may know, we will soon issue a new OMB Circular which provides uniform implementing guidance for the Government patent policy section of Public Law 96-517, "The Patent and Trademark Amendments of 1980." This Act gives nonprofit organizations and small businesses a first right of refusal to title in inventions they have made in performance of Government grants and contracts. The Act takes precedent over approximately 26 conflicting statutory and administrative policies.

Since the Act is a fundamental change in the more traditional policy of Government ownership to inventions made with its support, we believe it is essential that a lead agency be designated to review agency implementing regulations; disseminate and collect information; monitor administrative or compliance measures; evaluate the Act's implementation; and recommend appropriate changes to OMB/OFPP. (A more detailed list of proposed lead agency functions and staffing is provided in Attachment A.)

The Department of Commerce seems the natural choice for assignment of this new lead agency function due to its prior experience and wide ranging interest in technology transfer. productivity, innovation and Government patent policy. In order to take full advantage of Commerce's experience and to support the expansion of the concept of P.L. 96-517 to all recipients of Federal research and development funding, the proposed functions include authority to collect information and recommend policy and regulatory changes that affect recipients beyond those covered by the Act.

11088

I hope you will accept the responsibility for the lead agency which we believe will be challenging and rewarding. I would appreciate your designating an official to work with my staff in developing the details necessary to assure smooth implementation of the Circular and the lead agency.

I have designated Don Sowle, the Administrator of the Office of Federal Procurement Policy as my staff focal point, who has responsibilitiy for issuing patent policy regulations implementing P.L. 96-517.

The Director

Donald E. Bowle

SUBJECT: Decision Paper - Assignment of Lead Agency for "Patent & Trademark Amendments Act of 1980" (P.L. 96-517)

Issue

Establishment of uniform regulations implementing the subject Act requires that OMB decide which agency should receive the lead agency assignment to oversee implementation of the law and regulations.

Background

The "Patent and Trademark Amendments Act of 1980" repeals 26 agency statutes and regulations and establishes a set of guidelines for giving universities, non-profit organizations and small businesses the right of first refusal of title to inventions resulting from performance of Government grants and contracts. As noted in the Senate Report accompanying the bill, "patent policies . . . represent a serious impediment to the effective transferral of new technologies." The bill represents "an important first step in turning around the undesirable productivity and innovation slumps that the United States is now experiencing."

On June 3, 1981, the Office of Federal Procurement Policy (OFPP) sought your decision about whether "uniform Government-wide regulations implementing the Act for both procurement and grant transactions (should) be issued by OMB." You concurred, and OFPP, with the support of Intergovernmental Affairs Division (IGA), issued Bulletin 81-22, "Patents--Small Business Firms and Non-Profit Organizations, "setting forth interim regulations with public comments due by September 1. We have completed the assessment of comments received and will soon be submitting a revised Circular for your signature.

In order to complete preparation of a Final Circular, the issue of which agency should be assigned lead responsibility must be decided. On the earlier memo cited above, you selected the lead agency alternative rather than other approaches and suggested the Department of Commerce.

Discussion

The Act itself specifies no lead agency, nor does the legislative history indicate any desire for such a mechanism. The Act applies statutory requirements on all Federal agencies generally, with only limited citation of specific agencies for technical or pro forma functions. The following discusses the choices, then recommends that the Department of Commerce be assigned the role.

Relationship to Current Situation. Recently the Congress has stipulated a lead agency to implement a similar bill introduced by Senator Harrison Schmitt (R. -New Mex.). This bill (S. 1657) extends to all private organizations, regardless of size, the rights to patents as are now conferred on small businesses and non-profit organizations. There is a companion measure in the House (H.R. 4564) introduced by Congressman Allen Ertel (D. PA). The Schmitt bill designates Commerce as lead agency, while the Ertel bill cites a special coordinating council. The Administration has testified in support of the Schmitt Lead Agency concept, although reserving to the President the choice of which agency to serve as lead.

Also, the OMB Associate Director for Management has an initiative under way to designate or redesignate lead agency responsibility for all 61 generally applicable requirements tied to assistance programs. Assignment of a lead agency for the new patent requirement is fully consistent with that program.

Lead Agency Selection. To assess which agency should receive the lead, it is necessary to identify the functions that a lead agency would fulfill. In general, the agency would provide advocacy, and assess effectiveness of P.L. 96-517. It would review agency implementing regulations and procedures and disseminate information both within and without Government; evaluate the Act's implementation and recommend

...ible changes to OMB/OFPP; and oversee necessary administrative or other compliance measures. A more detailed list of proposed lead agency functions is shown in Attachment A. [illegible] commercialization process. The Justice Department

In light of the foregoing, we have applied the following criteria to assessing which agency to designate:

1. Does the agency have existing responsibilities in any of the following areas:

   a. Patents and patent law;

   b. Technological innovation and commercialization;

   c. Technology transfer;

   d. Small business advocacy?

2. Does the agency have sufficient personnel skilled in the above areas, and in the area of grants and contract monitoring or cross-agency relations?

3. Is the agency likely to be supportive of the law?

4. Could the agency expand to take on a larger policy role regarding patents and innovation if the Administration should so determine?

...ssment of Choices. In summary, the following ...anizations show limited capacity to meet the above criteria:

-- General Services Administration -- GSA has existing responsibilities in the areas of procurement and property management and regulations. It is also geared to deal with a wide variety of agencies. It is argued, however, that GSA is not well suited to leading the effort to translate intellectual property into new commercial enterprises. Further, GSA has neither R & D nor patent programs and would have difficulty in coordinating cabinet-level agencies outside of its Government licensing functions.

-- Department of Justice -- This choice might allow any enforcement function to take on a certain formalistic strength. But our review does not suggest an appropriate affiliation within Justice, and there is reluctance to

attach a litigational mentality to implementing this law. The Department is unlikely to want new functions not directly related to its present law enforcement functions and would have little active interest in the commercialization process. The Justice Department has in the past taken a position against private ownership of patents resulting from Government sponsored R & D.

-- National Science Foundation and HHS. -- These agencies have a strong commitment to basic research and have close connections to the university community, where much basic research and invention takes place. But these agencies are less familiar with the business world, and would not be seen by the business community as an effective advocate of applied research and technology transfer.

-- OMB/-OFPP/-OSTP -- The Executive Office, primarily OFPP, has a statutory role in the law and is well situated to pressure operating agencies not in compliance. It can also serve as a prominent spokesman for efforts to promote innovation. While the Executive Office may be a suitable policy broker and "court of appeals," however, placing the daily implementation burden here would increase the number of operating functions to Presidential staff.

-- Small Business Administration -- This agency has a Chief Counsel for Advocacy with responsibilities in aiding small business innovation. It also has staff dedicated to funneling Government grants and contracts to small business. On the other hand, the agency has little experience with the university and non-profit communities; it also could not naturally expand to cover large businesses should such legislation be enacted. It would have limited clout among Cabinet-level departments.

-- Patent and Trademarks Office -- This office within the Department of Commerce deals principally with the technical merits of patent applications and has little involvement with patent ownership problems, innovation, productivity issues, or broad patent policy issues. The Department of Commerce has recently testified in behalf of strengthening PTO as part of an overall effort to strengthen its patent policy functions, but PTO in its present form could not encompass the lead agency role.

agency function be assigned to the Department of Commerce for the following reasons:

1. The Department has a natural scope and previous experience covering patents, commercial affairs and technological innovation. Critics might argue that it is less experienced in technology transfer and has limited involvement with the academic community (compared to NSF & HHS). However, the Department is moving to strengthen its ability to address issues of productivity and innovation. It is presently reorganizing its economic affairs activities to comprise an Undersecretary for Economic Affairs supervising an Assistant Secretary for Productivity, Technology and Innovation (PTI). Furthermore, OSTP recommends that the academic view, where Commerce is weak, could be strengthened via an advisory group utilizing it's statutorily created FCCSET, as well as NSF.

2. The new Assistant Secretary (PTI) was conceived to use existing staff resources to concentrate on sector analysis of major industries. This would give little attention to technological innovation in the small business and non-profit sectors. As a Cabinet agency already overseeing staffs for small business, patents, promotion of commerce, and industrial analysis, however, the Department is best able of all the candidates to reassign or recruit sufficient staff for the proposed function.

3. Although it may be difficult to oversee such Departments as Defense and Health and Human Services, who may resist intrusion by a lead agency into disposition of their own substantial research programs, a Cabinet agency is more likely to succeed than are other candidates. Even the Executive Office would fail to provide the detailed daily oversight necessary to implement the law. The Assistant Secretary (PTI) could represent this function with suitable rank for most purposes, then have recourse, as necessary, through the Cabinet and working with Executive Office Staff.

4. Commerce has expressed support, in principle, for updating the patent system as an incentive to industrial productivity. The Department has recently requested more

resources to strengthen its patent licensing functions, and the Schmitt bill would definitely require Commerce to take the lead in patent reform.

5. **The Schmitt bill exemplifies the possibility for Commerce to grow beyond implementation of the present Act into a broadened strategy for innovation and productivity. Of all the agencies, it is best equipped by size and mission to provide the "line" forces in such an effort.**

Decision

OMB assign the lead agency function specifically to the Department of Commerce.

____ Concur; designation letter for OMB Director to sign to Secretary of Commerce is attached.

____ Not concur.

____ Other

Comments

cc:
Official File
DO Records
Mr. Sowle
Mr. Carpenter
OFPP:Chron/Read
OFPP:JCarpenter/12/21/81:bfh

Sample Legislative Policy Functions

A. Functions Specific to Public Law 96-517:

1. Review agency implementation to determine compliance with the Act and OFPP regulations.

2. Develop formats and procedures for the collection of utilization information from contractors and grantees. Collect and publish utilization information.

3. Provide, as determined necessary, recommendations to OFPP/OMB on changes to Government-wide implementing regulations.

4. As part of carrying out of functions of A.1-3, establish and chair an advisory group or groups, including representatives of the agencies and the grantee/contractor community and other private organizations.

5. Operate the NTIS Government licensing program under the authority of P.L. 96-517 and provide, when determined necessary, recommendations on improvements that could be made in this area.

B. General Functions

1. Review and evaluate the effectiveness of existing Government policies on the ownership of inventions by Government contractors, and make recommendations to OMB as to how such policies could be improved to more effectively stimulate innovation and productivity.

2. Collect and maintain statistics on Government patent policies and practices to provide a base for policy development and evaluation.

3. Establish and chair an advisory group or groups, including representatives of agencies and performers of Government research, to discuss issues related to Government policies on ownership of inventions made with Government support. FCSSET & NSF should participate.

4. Coordinate administration positions on proposed legislation related to ownership of inventions made with Government support.

5. Operate the PTO government-employee invention disposition program and provide, when determined necessary, recommendations on improvements that could be made in this area.