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

OFFICE OF FEDERAL PROCUREMENT POLICY

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Office of Federal Procurement Policy

Bulletin 81-22, Patents -- Small Firms and Non-Profit Organizations

Agency: Office of Federal Procurement Policy, Office of Management and Budget

Action: OMB Bulletin on patents affecting small business firms and non-profit organizations is being published as interim final policy coverage effective July 1, 1981, and for public comment. A final OMB Circular will be issued on or before December 31, 1981.

Summary: This Bulletin, issued pursuant to the authority contained in P.L. 96-517, sets forth policies procedures and a standard clause for Executive Branch agency use with regard to inventions made by small business firms and non-profit organizations and universities under funding agreements (contracts, grants and cooperative agreements) with Federal agencies where a purpose is to perform experimental, developmental and research work.

On December 12, 1980, Congress passed Public Law 96-517 governing the distribution of rights in inventions made by small business firms and non-profit organizations under funding agreements with Federal agencies.

Congress provided that this Act takes precedence over any other Acts which would require a disposition of rights in subject inventions of small business firms or non-profit organizations in a manner inconsistent with the new Act. Additionally, the new Act will take precedence over any future Act unless the future Act cites the new Act and provides that it will take precedence. This Bulletin takes effect on July 1, 1981, and will be applicable to all funding agreements with small business firms and non-profit organizations executed on or after that date. The provisions of this Bulletin may also be made applicable by mutual agreement to any subject inventions which are "made" on or after July 1, 1981, in the performance of funding agreements which were awarded prior to July 1, 1981, to small business firms or non-profit organizations, unless prohibited by law.

Commenters' views are encouraged. Attention to those commenting on the regulations is specifically invited to issues related to Section B (vi) of the regulations. As now written, this provision allows agencies to insert a provision to reporting requirements that would require prenotification to the agency of potentially patentable findings before taking certain actions, including submission of a manuscript for publication. Agencies favoring this requirement indicate it is necessary to assure protection of foreign patent rights, particularly when national security interests are involved. Others indicate that a prenotification requirement would be a disincentive to the filing of patents intended by the Act and to timely reporting of research results. Comments are encouraged on these and other considerations raised by this provision. Where possible, revised language suggesting improvements and the rationale for proposed changes is invited. Comments are due by September 1, 1981.

Addresses: Send comments to Mr. Fred H. Dietrich, Associate Administrator, Office of Federal Procurement Policy, 726 Jackson Place, N. W., Washington, D. C. 20503.

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The Office of Management and Budget and its component agency, the Office of Federal Procurement Policy, have jointly issued a new circular to all government agencies carrying out the provisions of Public Law 96-517, which deals with the rights of small businesses, universities and other non-profit organizations to inventions made under research sponsored by the Government.

The new OMB Circular 124 replaces an interim directive that was issued last July to implement the 1980 legislation.

The Circular is designed to encourage innovation and the utilization of inventions arising from Government supported research and developmenmt by small businesses, universities and non-profits. It covers the disposition of the invention results from approximately $1.2 billion of grant and contract awards to small business and $5 billion to universities and non-profits each year. The Administration anticipates that this large investment coupled for the first time with a Government-wide policy of allowing the private sector the incentive of patent ownership will lead to a significant increase in the commercialization of resulting inventions.

The Circular is designed to simplify the current regulatory framework by replacing numerous separate and diverse agency regulations and procedures covering small business, universities and nonprofits with a single, Government-wide policy. As mandated by Public Law 96-517 the new Circular establishes a standard Patent Rights clause to be included in all Government grants and contracts with such organizations, which gives these inventing organizations the right to retain ownership of inventions. The Circular also requires agencies to modify exising regulations to bring them into conformity with the Circular.

To further encourage a uniform and effective application of the law, the Circular establishes the Department of Commerce as the lead agency to monitor its implementation, evaluate its effect on innovation, and serve as the clearinghouse for information regarding Government patent policy. Since the Act applies to a wide range of Government procurement and assistance activities, it is expected that the assignment of coordination functions to the Department of Commerce will help to prevent inconsistent implementation and the proliferation of new regulations.

Small businesses should benefit because:

- More highly qualified small businesses will seek Government funded research projects since fear of losing the rights to valuable innovative concepts will no longer be a problem when dealing with the Government.

- Federally-sponsored research which results in invention and does not threaten proprietary positions will aid in restoring the vitality of small business. Without such rights many small firms could not justify the risk of further commercial development or attract private risk capital for such development.

Non-profits and universities are also benefited because:

- Patent rights are critical to university and non-profit technology transfer or patent licensing programs.

- Substantial private investment is required to further develop university invention. Patent ownership provides the incentive for the university to seek private firms to undertake the risk of development.

- In addition to improving the climate for university licensing, the Circular also stimulates increased university-industry cooperative programs by virtually eliminating industry concerns about Government claims under related research.

- Because a substantial portion of all medical research is done at universities and because of the importance of patent rights in the pharmaceutical and related industries, the Circular is critical to the development of new drugs and medical devices and procedures.

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