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Department of Energy
Washington, D.C. 20545

April 28, 1981

Mr. Fred H. Dietrich
Associate Administrator
Office of Federal Procurement Policy
Office of Management and Budget
Rm. 9013 - NEOB
17th and Pa. Avenue, N.W.
Washington, D.C. 20503

Dear Mr. Dietrich:

Enclosed is the statement on the new patent clause and regulations to implement P.L. 96-517, which I promised you at the last meeting.

Sincerely,

James E Denny

James E. Denny
Assistant General Counsel
for Patents

Enclosure

DESCRIPTION OF THE PATENT CLAUSE THAT IMPLEMENTS SECTION 206, CHAPTER 38 OF TITLE 35 U.S.C. AS ENACTED BY P.L. 96-517

A single clause has been drafted to implement the provisions regarding the allocation of patent rights between the Government and those contractors that have funding agreements and that qualify as small business firms and nonprofit organizations as defined in P.L. 96-517. This clause attempts to cover the necessary terms and conditions of a patent rights article while at the same time having only the provisions necessary to implement the requirements of the legislation and those absolutely necessary for minimum funding agreement administration. With this approach, it is hoped that the clause will be usable with grants and cooperative agreements, as well as with contracts.

The regulations that were drafted in the form of an additional part to section 9 of the Federal Procurement Regulations (FPR), which are believed to be appropriate regulations describing the implementation and utilization of the clause, provide that some additional language can be added to the clause where agencies believe that additional requirements are necessary for contract administration and/or incorporating the clause into the procedures of the individual agencies. Here again, the effort was to permit additions to a basic clause which can be used universally and to reduce to a minimum the necessity of creating deviations to the clause or finding "exceptional circumstances" authorized by the legislation.

The clause takes the format, therefore, of what is traditionally referred to as a "short form" clause that is specifically tailored for use with universities and ~~consultants~~ small businesses, non-profits. The following are specific examples of the modifications or deletions in the recommended clauses that differ from those of a normal patent rights clause applicable to Government R&D contracts.

- There is no time specifically required for the disclosure of inventions to the funding agency. The clause requires the inventor to report the invention to the contractor "promptly." The contractor, in turn, must report the invention to the funding agency within six months of the time the contractor receives the invention report from the inventor, except that the agency may extend this time for reporting. The only limitations on the extension of time are those actions which would create a statutory bar to the filing for patent protection in many countries. The clause requires, therefore, that a disclosure be made to the Government at least three months before the occurrence of one of these statutory bars.

- No other requirements connected with invention reporting are placed on the contractor. For example, the normal requirements for a contractor to maintain active patent procedures, to maintain notebooks and records, and to make such procedures and records available for Government inspection have been deleted. Automatic requirements of periodic reports have been deleted. The forfeiture provisions normally found in contracts have been deleted in regard to any reported inventions. A normal withholding of payments clause has been deleted.

- The contractor is required to elect those inventions on which he wants to retain title at the time of disclosure to the funding agency, but reasonable requests for extensions of time will normally be granted.

- The provisions for the minimum license reserved to the contractor when it does not elect title have been substantially reduced by referring to accompanying regulations for the full extent of the contractor's minimum rights. Although such a reference requires access to the separate document, this action reduced the size of the clause and was believed appropriate because of the lesser degree of interest in minimum rights when the contractor did not elect title.

In addition to the elimination of normal contract provisions as stated above, an attempt was made to simplify terms and language to that extent possible consistent with the requirements of the statute and minimal contract administration.

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

OFFICE OF FEDERAL
PROCUREMENT POLICY

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MEMORANDUM FROM THE ADMINISTRATOR

SUBJECT: OMB Circular No. A-124, "Patents - Small Business Firms and Nonprofit Organizations"

In light of your interest in the passage of Public Law 96-517, we would like to bring to your attention the enclosed Federal Register notice. The notice announces a March 1, 1982, effective date for OMB Circular No. A-124 which implements Public Law 96-517 and replaces numerous separate and diverse agency regulations and procedures covering small businesses, universities and nonprofit R&D recipients with a single approach and standard patent rights clause. This clause gives such recipients a first right of ownership to inventions made with Government support. In addition, the notice discusses the significant changes made to interim OMB Bulletin 81-22 in developing A-124.

The Administration believes that the experience gained in developing and issuing A-124 is a significant first step toward extending similar treatment to all research and development performers. We hope you will continue your interest and support to this end.

Donald E. Sowle

Enclosure