3/24/81

Subject: Implementing the Patent and Trademark Act Amendments of 1980

Issues Requiring Decision

Decisions need to be made on what ~~is the~~ role OMB should play in the issuing of regulations. A determination must be made expeditiously if regulations are to be in place prior to the July 1, 1981 effective date of the Act. Therefore, we believe the following issues need your decision.

- Should a uniform governmentwide set of regulations based on uniform principles implementing the Act for both procurement and grant transactions be issed by OMB?

- Should OMB assign to a lead agency governmentwide responsibility for oversight and evaluation of the effectiveness of the Act and its implementing regulations?

Background

After many years of public debate on means to enhance the utilization of the results of government funded research, the last Congress enacted P.L. 96-517, "The Patent and Trademark

Amendments of 1980". (Copy of the Act is attached as Tab A.) The Act gives universities, non-profit organizations and small businesses a first right of refusal to title in inventions they have made in performance of government grants and contracts subject to some limited exceptions. In creating this right to ownership, the Act abolishes approximately 26 conflicting statutory and administrative policies. It should be noted, however, that the Act explicitly retains the status quo for contractors, other than small business, universities and non-profit organizations. We can expect a continuing move in the Congress to give all businesses the first right of refusal to invention titles.

Some understanding of the relative importance of the Act can be determined from the amount of research and development funding impacted. Based on fiscal year 1980's rate of government R&D funding of small business, universities, and non-profit organizations, the Act covers the disposition of the invention results from approximately 1.2 billion dollars of grant and contract awards to small business and approximately 5 billion dollars to universities and non-profit organizations. The 5 billion dollars utilized by universities and non-profits covers approximately 65% of the total cost of all the basic research conducted in the U.S. This large investment coupled with the incentive of invention ownership could initiate a significant increase in commercialization with all the resultant benefits and implications for advancing national goals of productivity and

innovation.

Section 8 of the Act makes the relevant section of the Act effective on July 1, 1981. Issuance of implementing regulations prior to July 1, 1981 would require their initial publication for public comment and subsequent revision no later than early April.

A Patent Subcommittee of the Interagency Procurement Policy Committee (IPPC) has been established by GSA to prepare federal property management regulations governing federal licensing of federally owned patents in accord with section 208 of the Act. In addition, the subcommittee has begun drafting regulations required by Sections 202 through 204 and 206 of the Act.

The Patent Subcommittee is made up of representatives from 21 agencies some of which have extensive patent experience. OMB is represented on an ex-officio basis by representatives from IGA and OFPP. IGA has sent a letter to 14 agencies asking them to assure appropriate representation for assistance as well as procurement activities. The Patent Subcommittee and the GSA Chairman of the IPPC have agreed to procedures prescribed by OMB/OFPP representatives for ensuring full consideration of public comment before issuing final regulations, ...i.e., accepting suggestions from the private sector during the drafting of regulations and then soliciting comments on drafts through announcement in the Federal Register and known private sector interest groups before issuing the regulations as final rules.

Analysis of Administration Issues

Issue: Should uniform governmentwide regulations implementing the Act for both procurement and grant transactions be issued by OMB.

Arguments in support

a) Sec. 206 of the Act indicates that,

> "The OFPP, after receiving recommendations of the OSTP, may issue regulations which may be made applicable to federal agencies implementing the provisions of sections 202 through 204 of this chapter and the OFPP shall establish standard funding agreement provisions required under this chapter".

Page 26 of Senate Report No. 96-480 indicates that,

> "The bill....requires the OFPP to develop uniform regulations and clauses in order to ensure that there is not a new proliferation of inconsistent implementing clauses and regulations."

b) Since the Act covers disposition of inventions made under grants, cooperative agreements and contracts, the assistance policy function of OMB is supporting OFPP to assure

consistent application of the law across the spectrum of assistance and procurement relationships, and avoid problems common to other crosscutting laws tied to assistance programs. While it is possible to draft and issue separate governmentwide regulations for procurement and assistance, the Assistance Policy Branch and OFPP have agreed that a single regulation would be preferable. Also, a single uniform regulation would serve as a precedent setting model for future regulations which implement crosscutting statutes tied to procurement and assistance.

c) The university and small business communities affected by this Act have already expressed a strong concern that OFPP may waive the authority intended by P.L. 96-517 to issue implementing regulations. They desire the use of uniform forms, procedures, and principles which would end the need to respond to the differing regulatory and procedural requirements of each agency.

d) There are indications that two agencies are planning to proceed with their own implementing regulations if a common set are not available to ~~OMB does not~~ meet the July 1, 1981 effective date of the Act.

Arguments in Opposition

a) Some agencies may argue that allowing each to issue its

own regulations covering assistance and procurement programs may better represent their differences and, thereby, ~~would~~ facilitate ~~and~~ implementation.

b) OFPP would continue to insist on a common regulation for all agencys' procurement transactions which could result in different approaches within an agency.

c) Traditionally, OMB has not promulgated policy guidance that has the force and effect of law enforceable in the courts.

Decision Options

_____ OMB issue uniform governmentwide regulations to implement P.L. 96-517, Sections 202 thru 204 and 206 for both assistance and procurement transactions.

_____ Leave issuance of assistance regulations to individual agencies and procurement regulations to OFPP.

_____ See me

Issue: Should OMB assign to a lead agency governmentwide responsibility for oversight and evaluation of the effectiveness of the Act and its implementing regulations?

Arguments in Support

a) P.L. 96-517 abolishes 26 agency statutes and administrative patent regulations and establishes a single set of statutory guidelines which cover all assistance and procurement R&D programs. The Act is silent on a number of issues which are critical to consistent implementation. OMB would be burdened with day-to-day patent issues as well as being required to exercise oversight and evaluate the Act's effectiveness.

b) The Act does not assign oversight and evaluation to any single agency, although five agencies and the Comptroller General are assigned some duties under the Act. (See Tab B). A lead agency with governmentwide responsibility would be able to :

i) Coordinate, exchange and report information including the analysis of the results and benefits of the legislation,

ii) Evaluate effectiveness of the Act and OMB's implementing regulations and whether legislative or regulatory improvements need to be made

iii) Provide consistent technical advice and assistance to agencies and recipients in situations where precise definitions beyond statutory language cannot be provided without operating experience.

iv) Review implementation of the Act and advise when and where government economics and efficiencies may be realized.

v) Aid in the development of a national policy on innovation

vi) Convene conferences/workshops to assist agencies, universities and small business in implementing the Act,

Arguments in Opposition

a) An assignment to a single agency for governmentwide responsibility for oversight and evaluation of the Act may constrain operating agency flexibility in applying the Act to meet the special needs of their missions.

b) An assignment to a single agency for governmentwide oversight and evaluation may create a disincentive on the part of the agencies to fully cooperate in implementing the purposes of the Act.

Decision Options

_____ Assign a governmentwide responsibility for oversight and evaluation of the Act to a single lead agency (A subsequent memo to the Director will address assignment of a lead agency).

_____ No focus for responsibility assigned. Each agency shall monitor its own activities, and IGS and GAO will review progress.