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NATIONAL SCIENCE FOUNDATION
WASHINGTON, D.C. 20550

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OFFICE OF THE
GENERAL COUNSEL

21 September 1981

William A. Maxwell
Legislative Analyst
Office of Management and Budget
Executive Office of the President
Washington, DC 20503

Subject: Congressional Draft Bill/Uniform Patent Legislation

Dear Mr. Maxwell:

Thank you for allowing us extra time to comment on the proposed "Uniform Science and Technology Research and Development Utilization Act".

The National Science Foundation supports the basic policy of the proposed act. We believe that a flexible Government-wide policy on the allocation of rights to federally-supported inventions should be enacted to replace the briarpatch of statutes, Executive directives, and agency policies which presently passes for Government Patent Policy. Further, we agree with the drafters of this bill that principal patent rights should in most cases be left with the inventing organization, with the Government receiving a license and "march-in" rights.

We believe that principal patent rights should remain with the inventing organization for three major reasons. First, the inventing organization is usually best equipped to commercialize the invention. Second, in most instances the inventing organization makes an uncompensated contribution the invention. Finally, any other disposition of rights imposes a much heavier administrative burden on both the inventing organization and the funding agency. The Bayh-Dole Act, of course, leaves principal patent rights with small business firms and nonprofit organizations.

Although we thus agree with the policy of the proposed legislation, this working draft appears to have been hastily patched together from old legislative proposals, notably the "Thornton Bill". We recommend that an Administration substitute be quickly drafted and submitted to Congress to forestall implementation problems such as agencies are now

having with the Bayh-Dole Act. A starting point for that drafting work might be the Carter Administration's unsuccessful "Government Patent Policy Act of 1980" (copy attached). As you may recall, considerable effort went into structuring and wording that proposed legislation. We believe that it can be quickly modified to remove its discrimination against larger business firms, possibly by an ad hoc interagency group such as the one which originally drafted it. NSF would be glad to help once again.

More detailed comments on the would-be Act are contained in the attached memorandum.

Yours truly,

Charles H. Herz
General Counsel

Attachments

NATIONAL SCIENCE FOUNDATION
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GENERAL COUNSEL

18 September 1981

Detailed Comments on the "Uniform Science and Technology Research and Development Utilization Act"

Prepared by: John Chester, Assistant to the General Counsel

Generally, the structure and language of the proposed statute are nearly incomprehensible by the nonlawyer. "Plain English" is notably absent.

SEC. 101. FINDINGS and SEC. 102. PURPOSE.

While the language of these sections could be improved, their slight substance is unobjectionable.

SEC. 103. DEFINITIONS.

Since none of the definitions is particularly significant, this section seems misplaced at the beginning of the proposed Act. A less prominent position, near the repealer section perhaps, would be more appropriate.

Looking at the definitions:

(1) "Funding agreement", which is used in the Bayh-Dole Act, might be better than "contract", since grants and cooperative agreements are included.

(2) The definition of "contractor" seems to include the funding agency.

(3) The definition of "disclosure" seems inconsistent with the later use of the word in the phrases "time of disclosure" (Sec. 302) or "disclosure to the public" (Sec. 305(a)(3)).

(4) "Federal agency", which could be just "agency", is not limited to the agency which was party to the contract under which an invention was made. This definition implies that any agency may waive the Government's rights to (Sec. 303) or exercise march-in rights on (Sec. 304) every federally-supported invention.

SEC. 103 (continued)

No comment

(5) "Government" and (6) "invention" are standard, although the need for the first is debatable.

6th

(7) The definition of "inventor" implies that the proposed Act covers an employee-inventor who has not agreed to assign her inventions to her employer. This would override the common law rule that absent such an agreement the employer gets only "shop rights". The term seems to be used only three times in the body of the proposed statute -- in the first sentence of Sec. 302(a), in Sec. 305(a)(1), and in Sec. 305(a)(3) -- and so several provisions affecting a "contractor" seemingly do not apply to an "inventor".

7th

(8) "Made", in a expanded form, is once again a verb defined as two nouns.

No comment

The remaining definitions -- "person", "practical application", "small business firm" and "nonprofit organization" -- are familiar. "Person", however, is already defined in Title 1 of the U.S. Code and "small business firm" and "nonprofit organization" are not used in this bill.

8th

SEC. 201. RESPONSIBILITIES.

Again, the administrative details contained in this section are given undue prominence.

All the responsibilities, which include some authority and direction, belong to the Secretary of Commerce. The role of the funding agency is not clear. Similar provisions were in the first draft of the Carter Administration's unsuccessful "Government Patent Policy Act of 1980". They were rewritten to lessen Commerce's oversight authority.

Sec. 201(b)(4) apparently lets contractors (and others?) appeal an agency's patent-related decisions to Commerce. That will be resisted by the major contracting agencies.

SEC. 202. EXPIRATION.

9th

If Commerce is expected to establish a meaningful technology transfer program under Sec. 201, a seventh year review requirement, rather than a "sunset" provision, might be appropriate.

SEC. 301. RIGHTS OF THE GOVERNMENT.

For some reason, the relatively few cases in which the Government will obtain principal patent rights are mentioned first.

SEC 301 (continued)

Agencies must ("shall") obtain principal patent rights in four specified cases. This lack of agency discretion is inconsistent with the broad waiver authority of Sec. 303.

The four cases listed are numbered (1), (2), (3), and (5) and punctuated by two semicolons, a period, and a colon.

Under Sec. 301(b), the "rights" -- whatever they are -- of the Government under 301(a) cannot be exercised unless the agency reports to the Secretary of Commerce. Apparently, NSF will not only always have to take title to inventions made by our FFRDCs operators, only to waive it back later if present practice is any guide, but will have to tell Commerce each time we do so.

SEC. 302. RIGHTS OF THE CONTRACTOR.

As noted above, the definition of "inventor" indicates that an employee who has not assigned her invention rights to her employer is covered by the proposed law, even if the employee is not a party to the Federal contract. That may be unconstitutional.

The Government "shall" take title to inventions when the contractor or nonassigning inventor does not. Does that mean an agency must obtain an assignment of rights from the inventor in every case, even if the invention is not worth patenting?

SEC. 303. WAIVER.

The waiver authority is very broad, giving agencies the flexibility they would need to correct inequities created by the two preceding sections.

SEC. 304. MARCH-IN RIGHTS.

Sec. 304(a)(1) combines the "nonuse" march-in with the Government's right to patent an invention if the contractor does not. That means if a contractor fails to file a patent application, the agency cannot rush in and do so to avoid a statutory bar without prior approval of the Secretary of Commerce, given after a formal hearing, in accordance with Sec. 304(b).

The health and safety march-in of the Bayh-Dole Act is expanded to include public "welfare needs" (Sec. 304(a)(2)(i)). The business community has objected to a "welfare" march-in because the term is so broad that it would allow an agency to march in almost at will.

SEC. 304 (continued)

14th The antitrust march-in (Sec. 304(a)(2)(iii)) is similar to that contained in the first drafts of the Carter Administration bill about two years ago. At that time, representatives of the business community said that it was overbroad and imprecise. A narrower march-in was developed with the advice of the Justice Department.

15th As noted above, some agencies might resist setting up the Department of Commerce as a Court of Last (Administrative) Resort for their contractors. (Sec. 201(a)(4)) They will certainly object to having to obtain prior approval of Commerce for exercise of march-in rights.

16th Requiring prior approval of Commerce was probably intended to assure contractors that the march-ins would not be improperly used. The involvement of DoC might, however, hamper informal handling of march-in situations and lead to greater administrative burdens on the contractor.

SEC. 305. GENERAL PROVISIONS.

17 Sec. 305(a)(1) seems to require utilization reports even if the contractor or nonassigning inventor does not retain title, or possibly even if no invention is made.

18 Most agencies would prefer to obtain the rights to sublicense domestic municipal governments only when they determine it is in the public interest rather than try to determine when it is not in the public interest to obtain that right.

19 Sec. 305(a)(4) requires the contractor to elect "within a reasonable time after disclosure" whether it will patent an invention. Sec. 302(a) calls upon the contractor to exercise its option to retain title at the time of disclosure. The terminology and procedure should be consistent.

20 The purpose of the requiring a contractor to declare its intent to commercialize an invention is not clear. Sec. 305(a)(5) does not require a development or marketing plan, such as the Bayh-Dole Act requires for licensing of federally-owned inventions (35 U.S.C. §209(a)), so the declaration seems meaningless.

SEC. 306. BACKGROUND RIGHTS.

None Comment This provision is standard.

SEC. 307. GOVERNMENT LICENSING AUTHORITY.

Since the proposed law would repeal the Bayh-Dole Act, this section would reauthorize exclusive licensing of federally-owned inventions. Those agencies with extensive patent licensing programs might object to changing the licensing rules of the Bayh-Dole Act (35 U.S.C. §209), which are only now being put into final form.

SEC. 401. REPEAL . . .

Section 12 of the National Science Foundation Act of 1950 contains two subsections. Sec. 12(a) [42 U.S.C. §1871(a)] relates to patent rights under research-funding arrangements. Sec. 12(b) [42 U.S.C. §1871(b)] covers patents on inventions made by Foundation employees. It is not clear if both subsections, or only the first, are being repealed.

Notable ommissions from the draft bill

The proposed legislation concerns itself only with contractor inventions and Government licensing. The Carter Administration's "Government Patent Policy Act of 1980" also addressed patent rights to Federal employees' inventions.

The special restrictions on nonprofit organizations contained in §202(c)(7) of the Bayh-Dole Act are eliminated.

The "Preference for United States industry", §204 of the Bayh-Dole Act, is eliminated.

The restrictions on acquiring rights to "background" patents owned by small business firms and nonprofit organizations, §202(f) of the Bayh-Dole Act, are eliminated.

would resolve longstanding policy issues, answers to which the Congress, the Executive Branch, industry, and the public actively have sought for a generation. The bill is designed to reduce the administrative burden now imposed upon contractors and Government agencies alike.

Further, the bill responds to the 1972 recommendations to the Congress of the bipartisan Commission on Government Procurement, that legislation be enacted which would make uniform the Federal practices in the area of allocating the rights to contract inventions and make clear the government's authority to grant exclusive licenses under federally-owned inventions. The bill also would codify the basic policy concepts of Executive Order 10096, the provisions of which uniformly would be applicable to all Federal employees.

It is anticipated that, following enactment and implementation of this bill, greater commercial use will be made of the technology resulting from the Federal government's research and development effort, in turn creating additional employment, a higher standard of living, and an overall economic benefit to the United States as a whole, while protecting the public against any possible wrongful contractor conduct.

PROPOSAL

A BILL

To establish a uniform Federal system for management, protection, and use of inventions that result from federally sponsored or supported research or development, and for related purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Government Patent Policy Act of 1980".

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TITLE I—POLICY

FINDINGS

Sec. 101. The Congress, recognizing the profound impact of science, engineering, and technology policy on the well-being, health, and safety of the Nation, finds that:
(1) Inventions that result from federally sponsored or supported research and development constitute a valuable national resource;
(2) Federal policy on allocation of patent rights in such inventions should stimulate innovation, should meet the needs of the Government, should foster competition, should recognize the equities of Government contractors and Federal employee-inventors, and should provide small businesses and educational institutions with special incentives to participate in Federal research and development programs and to commercialize resulting inventions; and
(3) The public interest would be advanced if greater efforts were made to promote commercial use of new technology that results from federally sponsored or supported research and development.

PURPOSE

Sec. 102. The purposes of this Act are—
(1) To establish an effective Federal system for management and use of inventions that result from federally sponsored or supported research and development;
(2) To allocate patent rights in inventions that result from federally sponsored or supported research and development in ways that—
(A) Stimulate innovation,
(B) Encourage participation of all qualified contractors,
(C) Foster competition,
(D) Reduce administrative burdens on Federal agencies and their contractors,
(E) Promote widespread public use of inventions made with public support, and
(F) Provide special incentives to small businesses and educational institutions;
(3) To allocate equitably patent rights in Federal employee inventions;
(4) To provide for domestic and foreign patenting of federally owned inventions and licensing of federally-owned patent rights, with the objective of strengthing the Nation's economy and expanding its domestic and foreign markets; and
(5) To amend or repeal inconsistent laws.

TITLE II—CONTRACT INVENTIONS

CONTRACT INVENTIONS—REPORTING

Sec. 201. (a) This Title applies to "contract inventions", which in this Act are inventions made in the course of or under Federal contracts.
(b) Every contractor will provide the responsible agency with timely written reports on each contract invention containing:
(1) Complete technical information on the invention,
(2) A list of each country, if any, in which the contractor elects to file a patent application on the invention, and
(3) Unless the contractor is a small business or nonprofit organization, a list of each field of use in which the contractor intends to commercialize the invention or otherwise achieve public use of the invention. Each field will be described with sufficient particularity to allow the Government to identify those fields of use not encompassed by the described field.
The Government neither will publish nor release these reports until the contractor or the Government has had a reasonable time to file patent applications or one year has passed since receipt of all the information required by subsection (b)(1) of this section, whichever is earlier, and may so withhold such information in other reports or records.
(c) If the responsible agency determines that the contractor has unreasonably failed to file reports as required by subsection (b) of this section, the contractor may be deprived of any or all of the rights it otherwise would have under this Title.

ALLOCATION OF RIGHTS—SMALL BUSINESSES AND NONPROFIT ORGANIZATIONS

Sec. 202. (a) A contractor that is a small business or a nonprofit organization will acquire title to its contract invention in each country it lists under section 201(b)(2)

in which it files a patent applicat
be subject to the Government's r
rights under section 206.
(b) The Government will have
contract invention in each country
application or fails to file within a

ALLOCATION OF

Sec. 203. (a) The Government
invention whenever the contractor
(b) If such a contractor files wi
reported contract invention in an
receive an exclusive license under
exclusive right to grant sublicen
Government's minimum rights un
206.
(c) The contractor automaticall
receive an exclusive license, pursu
after it provides the responsible a
disclosed by section 201(b), except
exclusive license in any field of u
within the ninety-day period that
of this section.
(d) The contractor will not acqu
responsible agency determines th
(1) Would be contrary to the req
(2) Would impair national securi
(3) Would violate the antitrust
license were deemed an acquisitior
(e) An agency determination u
written reasons for the determina
tion to the United States Court of
been notified of the determinatio
determine the matter de novo and
nation, specifically including auth
exclusive license provided for by th
(f) If the responsible agency de
affected adversely, the agency ma
tion in any foreign country in wh
tion.

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Sec. 204. Any contractor that
receive by operation of law none
tract invention in all countries wh
in all fields of use and in all cou
license under section 203. These r
extent necessary to allow the Go
IV.

MINIMU

Sec. 205. (a) The Government
contract invention:
(1) The right to require from t
invention,
(2) A royalty-free worldwide rig
practiced for the Government, and
(3) The right to license or sul
practice the invention or have it p
time of contracting that acquisitio
(b) Whenever the Government h
patent application and patent on
invention was made with Governm
ment has rights in the patents.

in which it files a patent application within a reasonable time. However, title will be subject to the Government's minimum rights under section 205 and march-in rights under section 206.

(b) The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

ALLOCATION OF RIGHTS—OTHER CONTRACTORS

Sec. 203. (a) The Government will acquire title to all patents on any contract invention whenever the contractor is not a small business or nonprofit organization.

(b) If such a contractor files within a reasonable time a patent application on a reported contract invention in any country it lists under section 201(b)(2), it will receive an exclusive license under the patent in each described field of use, with the exclusive right to grant sublicenses. However, its license will be subject to the Government's minimum rights under section 205 and march-in rights under section 206.

(c) The contractor automatically will acquire by operation of law the right to receive an exclusive license, pursuant to subsection (b) of this section, ninety days after it provides the responsible agency with all of the information required to be disclosed by section 201(b), except that it will not acquire the right to receive an exclusive license in any field of use as to which the agency notifies the contractor within the ninety-day period that it has made a determination under subsection (d) of this section.

(d) The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such a license—

(1) Would be contrary to the requirements of the agency's mission;

(2) Would impair national security; or

(3) Would violate the antitrust laws if the receipt by the contractor of such a license were deemed an acquisition of another corporation.

(e) An agency determination under subsection (d) of this section will include written reasons for the determination. The contractor may appeal the determination to the United States Court of Claims within sixty days after the contractor has been notified of the determination. That Court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination, specifically including authority to require that the contractor receive any exclusive license provided for by this section.

(f) If the responsible agency determines that the national interest would not be affected adversely, the agency may grant the contractor title to any contract invention in any foreign country in which the contractor agrees to file a patent application.

CONTRACTOR LICENSE

Sec. 204. Any contractor that complies with section 201(b) automatically will receive by operation of law nonexclusive, royalty-free licenses to practice the contract invention in all countries where it does not receive title under section 202 and in all fields of use and in all countries in which it does not receive an exclusive license under section 203. These nonexclusive licenses may be revoked only to the extent necessary to allow the Government to grant exclusive licenses under Title IV.

MINIMUM GOVERNMENT RIGHTS

Sec. 205. (a) The Government will have the following minimum rights in any contract invention:

(1) The right to require from the contractor written reports on the use of the invention,

(2) A royalty-free worldwide right or license to practice the invention or have it practiced for the Government, and

(3) The right to license or sublicense State, local, or foreign governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest.

(b) Whenever the Government has rights in any invention under this Title, each patent application and patent on the invention will include a statement that the invention was made with Government sponsorship or support and that the Government has rights in the patents.

MARCH-IN RIGHTS

Sec. 206. (a) In any field of use, the Government may wholly or partly terminate the contractor's title or exclusive rights in any patent on a contract invention; may require the contractor to grant appropriate licenses or sublicenses to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself. The Government may take such actions only—

(1) If the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the selected fields of use;

(2) If necessary to protect the national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) If the contractor's rights in the invention violate the antitrust laws if the contractor's original receipt of those rights were deemed an acquisition of assets of another corporation; or

(5) If the contractor has failed to comply with the reporting requirements of this Act.

(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

(c) Whenever under this section an agency requires a contractor to grant a license or sublicense, it may specify reasonable terms, including the royalties to be charged, if any; the duration of the license or sublicense; the scope of exclusivity; and the fields of use to be covered.

DEVIATION AND WAIVER

Sec. 207. (a) An agency may deviate from the allocation of patent rights in contract inventions provided for in any standard patent rights clause established under section 209 acquiring more or fewer rights in the inventions, to further the agency's mission and the public interest. It may so deviate on a class basis only in accordance with regulations issued either under section 209 or, unless prohibited by those regulations, by the agency. Case-by-case deviations may be authorized by the head of the agency or his designee, and described in the Federal Register.

(b) The national security and antitrust march-in rights reserved by sections 206(a)(2), 206(a)(4), and 206(c) may not be waived under any circumstances.

(c) Rights reserved by sections 203 and 206(a)(1) may be waived only:

(1) In contracts involving cosponsored, cost-sharing, or joint-venture research or development to which the contractor makes a substantial contribution of funds, facilities, technology, or equipment; or

(2) In contracts with a contractor whose participation is necessary for the successful accomplishment of the agency's mission but cannot be obtained under the standard patent rights clause.

TRANSFER OF RIGHTS TO CONTRACTOR EMPLOYEES

Sec. 208. The contractor's employee-inventor may receive some or all of the contractor's rights under this Title with the permission of the contractor and the approval of the responsible agency. The corresponding obligations of the contractor under this title then will become obligations of the employee-inventor.

REGULATIONS AND STANDARD PATENT RIGHTS CLAUSE

Sec. 209. The Office of Federal Procurement Policy will direct the issuance of regulations to implement this Title. The regulations will establish a standard patent rights clause or clauses, to be included in each Federal contract except as provided in section 207.

TITLE III—INVENTIONS OF FEDERAL EMPLOYEES

EMPLOYEE INVENTIONS

Sec. 301. This Title applies to "employee inventions", which in this Act are inventions made by Federal employees.

REPORTING OF INVENTIONS

Sec. 302. (a) Federal employees will file timely written reports on any inventions they make. Such reports will be made to the employee's agency and will contain complete technical information concerning the invention. The Government neither will publish nor release a report until there has been a reasonable time to file

patent applications or until one year has passed since the final disposition of rights under this Title, whichever is earlier.

(b) If the responsible agency determines that the employee-inventor unreasonably has failed to file a report as required by subsection (a) of this section, the employee may be deprived of any or all of the rights he otherwise would have under the Title.

CRITERIA FOR ALLOCATION OF RIGHTS

Sec. 303. The responsible agency will determine the rights of the Government and of Federal employee-inventors in any inventions made by employee-inventors through the use of the following criteria:

(1) If the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, the Government will acquire all rights in the invention.

(2) If the invention neither bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, but was made with a contribution from Federal funds, facilities, equipment, materials, or information not generally available to the public, or from services of other Federal employees on official duty, the employee-inventor will receive all rights in the invention, except as provided in paragraph (4) of this section. However, these rights will be subject to a nonexclusive, royalty-free, worldwide license to the Government to practice the invention or have it practiced for the Government.

(3) If the agency finds insufficient interest in an invention to justify exercising its rights under paragraph (1) of this section, it may permit the employee-inventor to receive any or all of those rights, subject to the Government's rights as described in paragraph (2) of this section. However, nothing in this paragraph will prevent the agency from publishing the invention or otherwise dedicating it to the public.

(4) If the agency determines that national security might be impaired if the employee-inventor were to receive rights in an invention under paragraph (2) or (3) of this section, the Government will acquire all rights in the invention.

(5) The Government will claim no rights under this Act in any employee-invention not covered by paragraphs (1) or (2) of this section.

(6) Notwithstanding paragraph (1) of this section, an agency may enter into agreements providing for appropriate allocation of rights in inventions that result from research or development to which other parties have substantially contributed.

PRESCRIPTIONS

Sec. 304. (a) There will be a rebuttable presumption that an employee invention falls within the criteria of section 303(1) if it was made by a Federal employee who is employed or assigned to—

(1) Invent, improve, or perfect any art, machine, manufacture, or composition of matter;

(2) Conduct or perform research or development work;

(3) Supervise, direct, coordinate, or review federally sponsored or supported research or development work; or

(4) Act as liaison among agencies or individuals engaged in the work specified in paragraphs (1), (2), or (3) of this subsection.

(b) There will be a rebuttable presumption that an invention falls within the criteria of section 303(2) if it was made by any other Federal employee.

REVIEW OF AGENCY DETERMINATIONS

Sec. 305. Agency determinations under sections 302 and 303 will be reviewed whenever—

(1) The agency determines not to acquire all rights in an invention, or

(2) An aggrieved employee-inventor requests a review. Standards and procedures for this review will be prescribed in the regulations issued under section 309.

REASSIGNMENT OF RIGHTS

Sec. 306. If an agency finds on the basis of new evidence that it has acquired rights in an invention greater than those to which the Government was entitled under the criteria of section 303, it will grant the employee-inventor such rights as may be necessary to correct the error.

INCENTIVE AWARDS PROGRAM

Sec. 307. (a) Agencies may monetarily reward and otherwise recognize employee-inventors as an incentive to promote employee inventions and the production and disclosure of employee inventions. For this purpose agencies may make awards under the Federal incentive awards system (5 U.S.C. Ch. 45, 10 U.S.C. Ch. 57, and implementing regulations), as modified by this section.

(b) The amount of an award for an invention will be based on—

(1) The extent to which the invention advances the state of the art;

(2) The scope of application of the invention;

(3) The value of the invention to the Government or the public; and

(4) The extent to which the invention has come into public use.

(c) Awards for an invention of up to $10,000 may be made by the head of an agency.

(d) Awards of over $10,000 but less than $35,000 may be made by the head of an agency to—

(1) Civilian employees, with the approval of the Office of Personnel Management;

(2) Members of the Armed Forces, with the approval of the Secretary of Defense;

(3) Members of the United States Coast Guard when not operating as a service in the Navy, with the approval of the Secretary of Transportation;

(4) Members of the Commissioned Corps of the United States Public Health Service, with the approval of the Secretary of Health and Human Services; and

(5) Members of the Commissioned Corps of the National Oceanic and Atmospheric Administration, with the approval of the Secretary of Commerce.

(e) Awards of more than $35,000 may be made to employee-inventors by the President upon recommendation of the head of an agency.

(f) Acceptance of a cash award under this section constitutes an agreement that any Government use of an invention for which the award is made forms no basis for further claims against the Governmetn by the recipient, his heirs, or his assigns.

(g) Any cash award or expense for honorary recognition of an employee-inventor will be paid from the fund or appropriation of the agency receiving the invention's primary benefit.

INCOME SHARING FROM PATENT LICENSES

Sec. 308. In addition to awards as provided in section 307, an agency may share income received from any patent license with the employee-inventor.

REGULATIONS

Sec. 309. (a) The Secretary of Commerce shall issue regulations to implement this Title.

(b) Any determination of an appointing official under subsection 208(b) of title 18, United States Code, that relates to promotion of an employee invention by the employee-inventor will be subject to regulations prescribed by the Secretary of Commerce with concurrence of the Office of Government Ethics and the Attorney General.

TITLE IV—LICENSING OF FEDERALLY-OWNED INVENTIONS

COVERED INVENTIONS

Sec. 401. This Title applies to the licensing of all federally-owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 206. However, it does not apply to licenses established by the other sections of Title II of this Act.

EXCLUSIVE OR PARTIALLY EXCLUSIVE LICENSES

Sec. 402. (a) An agency may grant exclusive or partially exclusive domestic licenses under federally-owned patent rights not automatically licensed under section 203 only if, after public notice and opportunity for filing written objections, it determines that—

(1) The desired practical application is not likely to be achieved under a nonexclusive license; and

(2) The scope of proposed exclusivity is not greater than reasonably necessary.

(b) An agency may grant exclusive or partially exclusive foreign licenses under federally-owned patent rights after public notice and opportunity for filing written objections and after determining whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

(c) An agency will not grant
such a grant would violate t
license were deemed an acquis
(d) Agencies will maintain p
exclusive or partially exclusi

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Sec. 403. Each license gra
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Sec. 404. (a) The Governme
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(4) If the licensee's right
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PATENT ENFOR

Sec. 501. Any exclusive
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(c) An agency will not grant any license under this section if it determines that such a grant would violate the antitrust laws if the licensee's receipt of such a license were deemed an acquisition of assets of another corporation.

(d) Agencies will maintain periodically updated records of determinations to grant exclusive or partially exclusive licenses. These records will be publicly available.

MINIMUM GOVERNMENT RIGHTS

Sec. 403. Each license granted under section 402 will contain such terms and conditions as the agency finds appropriate to protect the interests of the Government and the public, including provisions reserving to the Government:

(1) The right to require from the licensee written reports on the use of the invention,

(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government, and

(3) The right to license State, local, or foreign governments to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest.

MARCH-IN RIGHTS

Sec. 404. (a) The Government will have the right to terminate any license granted under section 402 in whole or in part, but only—

(1) If the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in each of the fields of use affected;

(2) If necessary to protect national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) If the licensee's rights in the invention violate the antitrust laws if the licensee's original receipt of those rights were deemed an acquisition of assets of another corporation; or

(5) If the licensee has failed to comply with the terms of the license.

(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

REGULATIONS

Sec. 405. The Office of Federal Procurement Policy will direct the issuance of regulations specifying the terms and conditions upon which federally-owned patent rights may be licensed. An agency may deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

TITLE V—MISCELLANEOUS

PATENT ENFORCEMENT SUITS AND RIGHT OF INTERVENTION

Sec. 501. Any exclusive licensee under this Act may enforce rights under the license by bringing suit without joining the United States as a party. However, the licensee will give prompt notice of the suit to the Attorney General and to the agency that granted the license, and all parties will serve copies of papers on the Attorney General and the responsible agency as though they were parties to the suit.

BACKGROUND RIGHTS

Sec. 502. Nothing contained in this Act will be construed to deprive the owner of any background patent of rights under such a patent.

NOTICE, HEARING, AND JUDICIAL REVIEW

Sec. 503. (a) Agency determinations under sections 201, 206(a), and 206(c), and 404 will be made after public notice and opportunity for a hearing in which the United States, any agency, or any interested person may participate, and will include written reasons for the determination.

(b) The United States or any participant that may be adversely affected by an agency determination covered by subsection (a) of this section may appeal the determination to the United States Court of Claims within sixty days after the determination is issued. That Court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse of modify the agency determination.

RELATIONSHIP TO OTHER LAWS

Sec. 504. Nothing in this Act creates any immunities or defenses to actions under the antitrust laws.

AUTHORITY OF FEDERAL AGENCIES

Sec. 505. (a) Agencies may apply for, obtain, maintain, and protect patent rights in the United States and in foreign countries on any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest;

(b) Agencies may license federally-owned patent rights on terms and conditions consistent with Title V;

(c) Agencies may transfer patent rights to other agencies and accept them from other agencies, in whole or in part, without regard to the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471);

(d) Agencies may withhold publication or release of information disclosing any invention long enough for patent applications to be filed;

(e) Agencies may promote licensing of federally-owned patent rights by making market surveys, acquiring technical information, or otherwise enhancing the marketability of the inventions; and

(f) Agencies may enter into contracts necessary and appropriate to accomplish the purposes of this section.

RESPONSIBILITIES OF THE SECRETARY OF COMMERCE

Sec. 506. (a) The Secretary of Commerce will—

(1) Consult with other agencies about areas of science and technology with potential for commercial development.

(2) Coordinate a program to help agencies in exercising the authority given by section 505;

(3) Evaluate intentions referred by agencies to identify those with the greatest commercial potential and to promote their agencies.

(4) Help agencies seek and maintain patents in the United States and in foreign countries by paying fees and costs and by other means;

(5) Develop and manage a Government-wide program, with appropriate private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through dissemination of information about the technology; and

(6) Publish notice of all federally-owned patent rights that are available for licensing;

(b) There is authorized to be appropriated to the Secretary of Commerce such sums as may be necessary to enable the Secretary to carry out responsiblities under this section.

DEFINITIONS

Sec. 507. As used in this Act—

(1) Agency" means an "executive agency" of the Federal Government, as defined by section 105 of title 5, United States Code, and the military departments defined by section 102 of title 5, United States Code. "Responsible agency" means the agency which is party to a contract for the performance of research or development, has received patent rights from another agency, or has administrative jurisdiction over an employee-inventor.

(2) "Antitrust laws" means the laws included within the definition of the term "Antitrust laws" in section 1 of the Clayton Act (15 U.S.C. 12), as amended, and the Federal Trade Commission Act (15 U.S.C. 41 et seq.), as amended.

(3) "Contract" means any Federal contract, cooperative agreement, or grant that provides for performance of research or development substantially funded by the Government. It covers any assignment, substitution of parties, or subcontract of the same type under such a contract. It does not cover Federal price or purchase supports, or Federal loans or loan guarantees.

(4) "Contractor" means any person other than an agency that is a party to a contract.

(5) "Federal employee" means any civil service employee as defined in section 2105 of title 5, United States Code, and any member of the uniformed services.

(6) "Invention" means any invention that is or may be patentable under the laws of the United States. "Contract invention" is defined by section 201. "Employee invention" is defined by section 301.

(7) "Made" when used in relation to any invention means conceived or first actually reduced to practice.

(8) "Nonprofit organizat
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(9) "Patent rights" mea

(10) "Practical applicat
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(11) "Small business" m
Public Law 85-536 (15 U.S
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(13) "State" means a S
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(14) "Will", except as th
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Sec. 508. (a) Section 10(a)
of August 14, 1946 (7 U.S.
following: "Any contracts
ments making the results
through dedication, assign
Secretry shall determine."

(b) Section 205(a) of the
amended by striking out th
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(c) Section 501(c) of the
U.S.C. 951(c); 83 Stat. 742)
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(d) Section 106(c) of the N
U.S.C. 1395(c); 80 Stat. 721)

(e) Section 12 of the Nati
Stat. 149, 154) is repealed.

(f) Section 152 of the Ato
repealed.

(g) The National Aeronau

(1) By repealing section 3
of section 305 shall contin
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(2) By striking out, in s
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(3) By inserting at the e
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"(14) To provide effective
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(4) By inserting at the
subsection,"

"(d) For the purposes of
Administration shall be co

(5) By striking out the foll
"(Including patents and ri

(h) Section 6 of the Coal R
Stat. 337) is repealed.

(8) "Nonprofit organization" means universities and other institutions of higher education or an organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1954 (26 U.S.C. 501(c)) and exempt from taxation under section 501(a) of the Internal Revenue Code (26 U.S.C. 501(a)).

(9) "Patent rights" means patents and patent licenses and sublicenses.

(10) "Practical application" means manufacture of a machine, composition, or product, or practice of a process or system, under conditions which establish that the invention is being worked and its benefits are available to the public on reasonable terms.

(11) "Small business" means a small business concern, as defined in section 2 of Public Law 85-536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

(13) "State" means a State or territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico. "Local" refers to any domestic county, municipality, or other governmental entity.

(14) "Will", except as the context otherwise requires, has the same meaning as "shall".

AMENDMENTS TO OTHER ACTS

Sec. 508. (a) Section 10(a) of the Act of June 29, 1935, as added by title 1 of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085) is amended by striking out the following: "Any contracts made pursuant to this authority shall contain requirements making the results of research and investigations available to the public through dedication, assignment to the Government, or such other means as the Secretry shall determine.".

(b) Section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090) is amended by striking out the following: "Any contract made pursuant to this section shall contain requirements making the result of such research and investigations available to the public by such means as the Secretary of Agriculture shall determine.".

(c) Section 501(c) of the Federal Coal Mine Health and Safety Act of 1969 (30 U.S.C. 951(c); 83 Stat. 742) is amended by striking out the following: "No research, demonstrations, or experiments shall be carried out, contracted for, sponsored, cosponsored, or authorized under authority of this Act, unless all information, uses, products, processes, patents, and other developments resulting from such research, demonstration, or experiments will (with such exception and limitation, if any, as the Secretary or the Secretary of health, Education, and Welfare may find to be necessary in the public interest) be available to the general public.".

(d) Section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c); 80 Stat. 721) is repealed.

(e) Section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871; 64 Stat. 149, 154) is repealed.

(f) Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943) is repealed.

(g) The National Aeronautics and Space Act of 1958 (72 Stat. 426) is amended—

(1) By repealing section 305 (42 U.S.C. 2457). However, subsections (c), (d), and (e) of section 305 shall continue to be effective with respect to any application for patents in which the written statement referred to in subsection (c) of such section has been filed or requested to be filed by the Commissioner of Patents and Trademarks before the effective date of this Act;

(2) By striking out, in section 306(a) (42 U.S.C. 2458(a), "(as defined by section 305)"; and by striking out "the Inventions and Contributions Board, established under section 305 of this Act" and inserting instead: "an Inventions and Contributions Board which shall be established by the Administrator within the Administration";

(3) By inserting at the end of section 203(c) (42 U.S.C. 2478(c)) the following new paragraph:

"(14) To provide effective contractual provisions for reporting the results of the activities of the Administration, including full and complete technical reporting of any innovation made in the course of or under any contract of the Administration.";

(4) By inserting at the end of section 203 (42 U.S.C. 2478) the following new subsection,"

"(d) For the purposes of chapter 17 of title 35 of the United States Code the Administration shall be considered a defense agency of the United States." and

(5) By striking out the following in such section:

"(Including patents and rights thereunder)".

(h) Section 6 of the Coal Research and Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337) is repealed.

(i) Section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920) is amended by striking out the following: "Provided, however, That all research contracted for, sponsored, cosponsored, or authorized under authority of this Act shall be provided for in such a manner that all information, uses, products, processes, patents, and other developments resulting from such research developed by Government expenditure will (with such exceptions and limitations, if any, as the Secretary may find to be necessary in the interest of national defense) be available to the general public: And provided further, That nothing contained herein shall be construed as to deprive the owner of any background patent relating thereto to such rights as he may have thereunder." and by inserting instead a period.

(j) Section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634) is repealed.

(k) Subsection (e) of Section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5) is repealed.

(l) Except for paragraph (1), section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878) is repealed.

(m) Section 5(i) of the Tennessee Valley Authority Act of 1933 (16 U.S.C. 831d(i); 48 Stat. 61), is amended by striking both proviso clause at the end.

(o) Section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 88 Stat. 1211), is repealed.

(p) Section 3 of the Act of April 5, 1944 (30 U.S.C. 323; 58 Stat. 191), is repealed.

(q) The Resources Conservation and Recovery Act of 1976 (90 Stat. 2795) is amended—

(1) By repealing section 8001(c)(3) (42 U.S.C. 6981(c)(3); 90 Stat. 2831); and

(2) By striking out, in section 8004(c)(2) (42 U.S.C. 6984(c)(2)) the second sentence, "notwithstanding section 6881(c)(3) of this titel,."

(r) Section 12 of the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976 (15 U.S.C. 2511;— Stat. —) is repealed.

(s) Paragraph (r) of Section 19 of the Federal Nonnuclear Energy Research and Development Act of 1974, Public Law 93-577, as amended, Public Law 95-238, is repealed; subparagraph (g)4 of said Section 19 is amended by striking "under section 9 of this Act" in the first sentence.

(t) Section 112(d)(2) of Public Law 95-39 enacted on June 3, 1977, is amended by striking "shall be governed by the provisions of Section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 and".

(u) Section 408 of the Water Research and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1316) is repealed.

EFFECTIVE DATE

Sec. 509. This Act will take effect on the first day of the seventh month beginning after its enactment. Implementing regulations may be issued earlier.

SECTION-BY-SECTION ANALYSIS

TITLE I—POLICY

Sec. 101. Findings.

Section 101 states the finds of the Congress; namely, that:

"(1) Inventions that result from federally sponsored or supported research and development constitute a valuable national resource;

"(2) Federal policy on allocation of patent rights in such inventions should stimulate innovation, should meet the needs of the Government, should foster competition, should recognize the equities of Government contractors and Federal employee-inventors, and should provide small businesses and educational institutions with special incentives to participate in Federal research and development programs and to commercialize resulting inventions; and

"(3) The public interest would be advanced if greater efforts were made to promote commercial use of new technology that results from federally sponsored or supported research and development."

Sec. 102. Purpose.

Section 102 states the purposes of this Act which are responsive to the directive of Title I, Section 101(c) of P.L. 94-282, The National Science and Technology Policy, Organization and Priorities Act of 1976 that:

"Federal patent policies should be developed based on uniform principles, which have as their objective the preservation of incentives for technological innovation and the application or procedures which will continue to assure the full use of beneficial technology to serve the public."