1. On Mar. 15, 1982 the Schmitt bill, S. 1657 passed the Committee on Commerce, Science and Transportation 14-1. The bill may reach the floor ~~shortly~~ within a few days

2. The Administration supports the concept and substantially all the details of S. 1657.

3. Since its introduction, S. 1657 has been materially changed in some respects.

4. Because of small business and university sensitivity about the possibility of losing the benefits gained in the 96TH congress the proposed repeal of P.L. 86-517 has been dropped in favor of improving amendments* to P.L. 96-517. The Administration believes that this approach substantially enhances the possibility of passage of S. 1657. The university secton is now actively supporting S. 1657 while still opposing the Eagle bill in part because of its proposed repeal of P.L. 96-517.

5. Another material change is the elimination of the traditional right of the government to sublicense foreign governments under treaties or agreements — An agency may obtain this right under the Act only as an exception which must be justified at the time of contract. The Administration supports this change since historically foreign countries have not reciprocated in

1) In addition to the repealer provision the Ertel bill suffers from other problems which should be addressed. (2)

Sec. 301(A) of Ertel

Ertel bill (H.R.4564)

THE ~~SECTION~~ CONTAINS SUCH BROAD EXCEPTIONS TO THE GENERAL RULE OF ALLOWING CONTRACTORS TO RETAIN THE FIRST OPTION TO TITLE AS TO LARGELY NULLIFY THE PROSPECT OF A UNIFORM POLICY. ~~THE ADMINISTRATION MARK-UP~~ IN comparison the Schmitt bill HAS CAREFULLY, WRITTEN AND LIMITED EXCEPTIONS. THE H.R. 4564 EXCEPTIONS ARE SO BROADLY WRITTEN AS TO ALLOW ALMOST ANY AGENCY TO DECIDE TO TAKE TITLE IN EVERY CASE. Title was specifically reserved in Ertel to Gov't to DNA inventions. FURTHER THE ~~ADMINISTRATION MARK-UP~~ the Schmitt bill REQUIRES THAT ALL EXCEPTIONS BE IN WRITING AND THAT MOST BE JUSTIFIED. IN ADDITION AN OVERSIGHT IS PROVIDED IN THE DEPARTMENT OF COMMERCE AND OFPP 10mB IN ORDER TO PRECLUDE AGENCY ABUSE OF THE EXCEPTIONS. Ertel permits the agencies to exercise exceptions without oversight.

Sec. 301(B)(2)(B)

THE LICENSE Reserved TO STATE AND LOCAL GOVERNMENT IN ~~301(B) (2)(B)~~ Ertel WAS DROPPED IN ~~THE ADMINISTRATION MARK~~ Schmitt bill-UP. (THIS license ALSO WAS NOT IN P.L. 96.517). ~~THE~~ Its INCLUSION ~~OF THIS~~ HAS THE UNFORTUNATE EFFECT OF DISCOURAGING COMMERCIALIZATION OF THOSE VERY INVENTIONS THAT WOULD MOST BENEFIT STATE AND LOCAL GOVERNMENTS.

Sec. 304(A)(4)

THE ANTI-TRUST GROUND FOR MARCH-IN ~~AT 304(A)(4)~~ IN Ertel HAS BEEN DROPPED IN THE ~~ADMINISTRATION MARK-UP~~ Schmitt bill. DEPARTMENT OF JUSTICE REPRESENTATIVES HAVE SUGGESTED THAT IT IS IMPRACTICAL TO EXPECT AGENCIES TO BE EQUIPPED TO EXERCISE THIS RIGHT.

Sec. 304(B)

~~THIS SECTION~~ Ertel PERMITS 3RD PARTIES TO INITIATE A MARCH-IN DETERMINATION AND HEARING IF THE AGENCY CONSIDERS THIS JUSTIFIED. THIS RIGHT IN 3RD PARTIES SERIOUSLY IMPAIRS THE OWNERSHIP RIGHTS OF ~~AN~~ INVENTION CONTRACTOR BY OPEN ENDING THE ABILITY OF 3RD PARTIES TO BRING LAWSUITS TO FORCE A MARCH-IN. THE ~~ADMINISTRATION MARK-UP~~ Schmitt bill DOES NOT PROVIDE AN EQUIVALENT RIGHT.

2)

Sec. 305(A)

Both bills
~~THE BILL~~ IMPACTS ON GRANTS, CONTRACTS, COOPERATIVE AGREEMENTS AND WIDE RANGE OF PERFORMERS OF RESEARCH FROM NON-PROFITS, UNIVERSITIES, STATE AND LOCAL GOVERNMENTS SMALL BUSINESSES. AS SUCH, OMB RATHER THAN GSA, DoD, NASA ~~OR ANY SINGLE AGENCY~~, the Schmitt bill provides that was provided by Gatel SHOULD HAVE THE RESPONSIBILITY FOR DEVELOPING UNIFORM REGULATIONS AND CLAUSES THAT WILL IMPACT ON THIS WIDE RANGE OF PERFORMERS AND ACTIVITIES. MOREOVER, P.L. 96-517 PLACED THIS RESPONSIBILITY IN OMB/OFPP, AND EXPERIENCE UNDER THAT ACT HAS DEMONSTRATED THE WISDOM OF THAT APPROACH.

Sec. 307

THE ADMINISTRATION OPPOSES RECOUPMENT CLAUSES AS A DISINCENTIVE TOWARD FURTHER INVESTMENT AND DEVELOPMENT OF SUBJECT INVENTIONS. The Schmitt bill does not include such clauses while Gatel does.

THERE WAS SUBSTANTIAL CONTROVERSY BETWEEN THE AGENCIES AND THE UNIVERSITY SECTOR DURING THE IMPLEMENTATION OF 96-517 AS TO WHETHER IT WAS REASONABLE TO EXPECT CONTRACTORS TO FILE BEFORE ANY FOREIGN BAR (I.E. BEFORE PUBLICATION). ~~THESE SUBSECTIONS ARE~~ The Schmitt bill is INTENDED TO MAKE CLEAR THAT CONTRACTORS NEED NOT BE FORCED TO FORFEIT THEIR RIGHTS BECAUSE OF AN INABILITY TO MAKE AN INITIAL FILING IN TIME TO AVOID THE LOSS OF FOREIGN RIGHTS. This bill ~~further~~ is intended to provide adequate time to make an informed judgement on filing patent applications before the contractor is required to file.

The Schmitt bill
~~WE HAVE~~ EXPANDED THE SECTION DEALING WITH THE EFFECTIVE DATE OF THE ACT, SO AS TO LEAVE AGENCIES WITH AUTHORITY TO TREAT INVENTIONS MADE UNDER CONTRACTS THAT PREDATE THE EFFECTIVE DATE OF THE ACT IN A MANNER CONSISTENT WITH THE ACT. EXPERIENCE IN THE IMPLEMENTATION OF 96-517 HAS DEMONSTRATED THE ADVISABILITY OF SUCH A PROVISION

The Schmitt bill provides LANGUAGE TO MAKE CLEAR THAT MARCH-IN IS NOT SUBJECT TO THE CONTRACTS DISPUTES ACT. THIS IS AN ISSUE UNDER P.L. 96-517 WHERE CONTRACTS ARE INVOLVED. IN ORDER TO PROVIDE FOR A UNIFORM, HIGH-LEVEL PROCEDURE, IN BOTH GRANTS AND CONTRACTS, IT IS NECESSARY TO ELIMINATE ANY ARGUMENTS THAT THE CONTRACT DISPUTES ACT WOULD APPLY.

* Some of the improving amendments made by the Schmitt bill to 96-517 are:

a) Repeal of the limit on the period of exclusive licenses that universities may grant to industry.

b) ~~Institution~~ of Substitution of the Commerce / OFPP oversight procedure for the G.A.O procedure of 96-517.

c. A more definitive indication of the time within which contractors must report ~~election~~ inventions elect ownership and file patent applications?

d). Inclusion of the conditions under which Agencies may waive retained rights to the contractor.

Administration's position on the disposition and handling of inventions made by Goco's is still under consideration. As you know S. 1657 handles Goco's as it does all other contractors while the latest bill leaves disposition of Goco inventions to the discretion of the agencies, as does P.L. 96-517.

TP

Since this group is not covered by P.L. 96-517 or its implementing guidance OMB circular A-124, I will not go into it in great detail other than mention a few generic concepts which have been carried over to the Schmitt bill and we hope will be spelled out in the implementation of that bill, if passed.

a) Of course I've already mentioned the variation on the oversight concept from 96-517 that we support in Schmitt. (Commerce/OFPP rather than G.A.O.) However, Commerce is lead agency for 96-517 in areas not assigned to G.A.O.

b) Note that 35 U.S.C. 205 (from 96-517) gives the agencies the authority to hold in confidence all invention disclosures whether made by small business, universities or not. Under A-124 the agencies are directed not to disclose to 3rd parties pursuant to FOIA any invention disclosure for a reasonable time to permit the filing of patent applications. We think this is an important contractor right which should be guarded against agency abuse.

c) ~~We've gotten~~ We are involved in discussions with G.A.O. on whether some agencies are abusing the use of the "exceptional circumstance" exception of 96-517. Since Schmitt & Gatel provide for this exception we are taking the agency actions very seriously.

d) We've attempted to nail down how the agencies should handle inventions made under contracts entered before the Act ~~Act~~ ~~with~~ under Schmitt whereas 96-517 left this to the implementing guidance. Schmitt authorizes the agencies to make the Act retroactive whereas 96-517 was ~~e)~~ silent. and we could only "encourage" nonstatutory agencies to apply ~~the~~ 96-517

e) The use of march-in is tightly circumscribed by a due-process procedure. which we will carry into the implementing guidance for Schmitt.

f.) Some right to appeal within an agency has been provided when ownership rights are affected. This will be carried into implementing guidance for Schmitt.

TP. FAR Coverage for patents & technical data rights (Letter to Reed)

TP Kastenmeier - employed inventors Bill (4732) combined with Garmin patent policy.