H.R. 4564

ADMINSTRATION MARK-UP OF S. 1657

COMMENTS

SEC. 301(A)(1) THE GOCO EXCEPTION AT 302(A)(1) HAS BEEN DROPPED. SEVERAL AGENCIES HAVE QUESTIONED THE NEED FOR THIS EXCEPTION, AND IT IS THE ADMINISTRATION POSITION THAT GOCO'S SHOULD ALSO RETAIN RIGHTS UNLESS AN AGENCY CAN JUSTIFY DIFFERENT TREATMENT UNDER THE "EXCEPTIONAL CIRCUMSTANCES" EXEMPTION.

SEC. 301(A)(2) THIS SECTION SEEMS TO GIVE THE DEPARTMENT OF DEFENSE THE UNLIMITED RIGHT TO OBTAIN TITLE TO SUBJECT INVENTIONS.

SEC. 301(A)(3) THIS SECTION SEEMS TO GIVE CIVILIAN AGENCIES A SIMILAR RIGHT, AND THE LANGUAGE ABOUT DNA RESEARCH WOULD WIPE OUT CONTRACTOR OWNERSHIP RIGHTS IN ONE OF THE MUST SIGNIFICANT AREAS OF TECHNOLOGY WITH POTENTIAL COMMERCIAL APPLICATION FUNDED BY THE GOVERNMENT.

SEC. 301(A)(4) THE EXEMPTION AT 301(A)(4) HAS BEEN DROPPED IN THE ADMINISTRATION-MARK-UP. IT IS BELIEVED THAT THE MARCH-IN-RIGHT SECTION ADEQUATELY TAKES CARE OF THIS SITUATION. THIS WAS NOT A BASIS FOR EXEMPTION UNDER P.L. 96-517, AND ITS INCLUSION MAY BE A NEGATIVE IN ATTRACTING UNIVERSITY/SMALL BUSINESS SUPPORT.)

SEC. 301(A)(5) FORECLOSING CONTRACTOR OWNERSHIP TO SUBJECT INVENTIONS BECAUSE THE CONTRACT IS PERFORMED OUTSIDE THE U.S. UNNECESSARILY PENALIZES U. S. CONTRACTORS. TO THE EXTENT THIS PROVISION WAS AIMED AT FORECLOSING OWNERSHIP BY FOREIGN CONTRACTORS, SEC. 301(A)(6) AND (7) (WHICH ARE ALSO INCLUDED IN THE ADMINISTRATIONS MARK-UP) ARE INTENDED TO REACH THIS END WITHOUT TOUCHING ON U. S. CONTRACTORS.

SEC. 301(A) (IN GENERAL) 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 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. FURTHER THE ADMINISTRATION MARK-UP 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 IN ORDER TO PRECLUDE AGENCY ABUSE OF THE EXCEPTIONS.

SEC. 301(B)(2)(B) THE LICENSE TO STATE AND LOCAL GOVERNMENT IN 301(B) (2)(B) WAS DROPPED IN THE ADMINISTRATION MARK-UP. THIS ALSO WAS NOT IN P.L. 96-517). THE INCLUSION OF THIS HAS THE UNFORTUNATE EFFECT OF DISCOURAGING COMMERCIALIZATION OF THOSE VERY INVENTIONS THAT WOULD MOST BENEFIT STATE AND LOCAL GOVERNMENTS. THE ADMINISTRATION-MARK-UP PROVIDES AGENCIES WITH THE AUTHORITY TO SUB-LICENCE UNDER TREATIES AND INTERNATIONAL AGREEMENTS. THIS AUTHORITY HAS BEEN DELETED FROM H.R. 4564.

SEC. 302(B) THE LICENSE RETAINED BY CONTRACTORS WHEN THIS SECTION IS EXTENDED TO "EXISTING LICENSEES TO WHOM THE CONTRACTOR IS LEGALLY OBLIGATED TO SUBLICENSE OR ASSURE FREEDOM FROM INFRINGEMENT LIABILITY." THE ADMINISTRATION MARK-UP DOES NOT EXTEND THE LICENSE TO OTHER THAN THE CONTRACTOR SO AS TO DISCOURAGE PATENT-POOLING WHICH MAY ACT AS A DISINCENTIVE TO DEVELOPMENT.

SEC. 302(C) IT IS INAPPROPRIATE TO MAKE RIGHTS LEFT TO AN INVENTOR SUBJECT TO ALL THE PROVISIONS OF THE ACT. THE ADMINISTRATION MARK-UP MAKES RIGHTS LEFT TO AN INVENTOR SUBJECT ONLY TO SUCH TERMS AND CONDITIONS DEEMED APPROPRIATE BY THE AGENCY AND THE MARCH-IN PROVISIONS.

SEC. 304(A)(4) THE ANTI-TRUST GROUND FOR MARCH-IN AT 304(A)(4) HAS BEEN DROPPED IN THE ADMINISTRATION MARK-UP. DEPARTMENT OF JUSTICE REPRESENTATIVES HAVE SUGGESTED THAT IT IS IMPRACTICAL TO EXPECT AGENCIES TO BE EQUIPPED TO EXERCISE THIS RIGHT. BY WAY OF COMPENSATION, LANGUAGE HAS BEEN ADDED AT SECTION 503(A) OF THE ADMINISTRATION MARK-UP WHICH WILL HELP TO ENSURE THAT THE DEPARTMENT OF JUSTICE CAN TAKE APPROPRIATE ACTION WHEN INVENTIONS MADE UNDER GOVERNMENT CONTRACTS ARE BEING USED IN A MANNER THAT APPEAR TO BE INCONSISTENT WITH THE ANTITRUST LAWS.

SEC. 304(B) THIS SECTION 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 DOES NOT PROVIDE AN EQUIVALENT RIGHT.

SEC 305(A) THE BILL IMPACTS ON GRANTS, CONTRACTS, COOPERATIVE AGREEMENTS AND WIDE RANGE OF PERFORMERS OF RESEARCH FROM NON-PROFITS, UNIVERSITIES, STATE AND LOCAL GOVERNMENTS SMALL BUSINESSESS. AS SUCH, OMB RATHER THAN GSA, DoD, NASA OR ANY SINGLE AGENCY, 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. 305(A)(3)(B) THE REQUIREMENT THAT CONTRACTOR DECLARE ITS INTENT TO COMMERCIALIZE AT SECTION 305(A)(3)(B) HAS BEEN DELETED AS IT CANNOT BE ENFORCED. MARCH-IN IS THE PROPER MEANS FOR PENALIZING FAILURE TO COMMERCIALIZE.

SEC. 305(A)(5) THIS SECTION SHOULD NOT BE PART OF THE SINGLE PATENT CLAUSE AS IT PROVIDES INSTRUCTION TO THE AGENCIES ON CLASS DEVIATIONS AND IS NOT A CONDITION OF THE CONTRACT. THE ADMINISTRATION MARK-UP MOVES THE REMAINING PART OF THE SECTION AFTER THE DELETIONS DISCUSSED BELOW TO THE "WAIVER" SECTION.

PART (B) OF SECTION 305(A)(5) DEALING WITH WAIVERS SHOULD BE DELETED. THE ADMINISTRATION MARK-UP MAKES REVISIONS TO THE DEFINITION OF "CONTRACT" WITH THE INTENTION OF MAKING CLEAR THAT PATENT CLAUSES ARE NOT REQUIRED IN LOAN GUARANTEES OR PRICE SUPPORTS SINCE THESE ARE NOT RESEARCH CONTRACTS. AS PART OF THE REPEALERS, ANY STATUE THAT CURRENTLY REQUIRE PATENT PROVISIONS IN SUCH AGREEMENTS SHOULD BE AMENDED TO ELIMINATE SUCH PROVISIONS. WE ALSO RECOMMEND THAT THE LEGISLATIVE HISTORY MAKE CLEAR THAT IN THE ABSENSE OF SPECIFIC LANGUAGE TO THE CONTRARY, LOAN GUARANTEES, PRICE OR PURCHASE SUPPORTS, AND OTHER SPECIAL CONTRACTING DECISIONS ARE NOT COVERED THE ACT AND SHOULD NOT INCLUDE ANY PATENT PROVISIONS.

SEC. 307 — THE ADMINISTRATION OPPOSES RECOUPMENT CLAUSES AS A DISINCENTIVE TOWARD FURTHER INVESTMENT AND DEVELOPMENT OF SUBJECT INVENTIONS.

SEC. 308 — THE ADMINISTRATION DOES NOT BELIEVE THAT THE BACKGROUND PROVISION IS SUFFICIENT TO PROTECT THE INTERESTS OF NON-PROFITS AND SMALL BUSINESS AND HAS ADDED THE BACKGROUND PROVISION OF 96-517 TO ITS MARK-UP.

NEW CONCEPTS AND LANGUAGE THAT HAVE BEEN ADDED TO THE ADMINISTRATION MARK-UP ARE DESCRIBED NEXT. FOR THE MOST PART THESE ARE DERIVED EITHER FROM 96-517 OR FROM EXPERIENCE GAINED DURING ITS IMPLEMENTATION.

1. THE FORFEITURE LANGUAGE IN OUR 301(C)(1) IS NEW. H.R. 4564 IF SILENT ON WHAT HAPPENS IN NONREPORTING SITUATIONS. P.L. 96-517 MAY HAVE BEEN OVERLY HARSH ON THIS POINT. THE LANGUAGE PROPOSED SHOULD REPRESENT A REASONABLE MIDDLE-GROUND.
2. SECTION 301(C)(2) REQUIRES AGENCIES TO ENSURE THAT THEIR CONTRACTORS HAVE ADEQUATE ARRANGEMENTS WITH THEIR EMPLOYEES TO PERFECT GOVERNMENT RIGHTS.
3. SECTION 301(C)(4) AND (5) ESTABLISH REQUIREMENTS THAT CONTRACTOR'S ELECTING RIGHTS MUST FILE PATENT APPLICATIONS. MOREOVER, 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 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.
4. SECTION 301(C)(6)(III)-(V) ALSO ARE DESIGNED TO IMPLEMENT THE GOVERNMENT RIGHTS WHEN CONTRACTOR'S FAIL TO PROSECUTE PATENTS. H.R. 4564 IS SILENT ON THESE POINTS.

5. SECTION 301(C)(8) IS INTENDED TO MAKE CLEAR THAT THE RIGHTS OF GOVERNMENT CONTRACTORS MAY BE SUBJECT TO INTERNATIONAL AGREEMENTS. THIS LANGUAGE IS BASED ON EXPERIENCE IN IMPLEMENTING 96-517, AN IMPROVEMENT OVER THE COUNTERPART LANGUAGE IN THAT ACT. THIS SUBSECTION ALSO REFLECTS LONG STANDING POLICY, AND IS NECESSARY IN ANY STATUE THAT WOULD LEAVE TITLE IN THE CONTRACTOR.

6. SECTION 301(C)(11) IS BASED ON LANGUAGE IN 96-517 AND IS ADDRESSED TO NON-PROFITS AND UNIVERSITIES ONLY. THOUGH, IN FORM IT IS A RESTRICTION ON NON-PROFITS, IN FACT, THESE RESTRICTIONS ARE SUPPORTED BY THEM AND DESIRED. IT SOULD BE NOTED THE LANGUAGE IN 96-517 THAT LIMITED THE PERIOD OF EXCLUSIVE LICENSES GRANTED BY NON-PROFITS HAS BEEN DROPPED. THIS CHANGE WILL ALSO BE A PLUS IN GENERATING UNIVERSITY SUPPORT.

7. SECTIONS 302(A) AND (B) ARE DERIVED FROM 96-517 AND SHOULD BE RETAINED.

8. THE SECOND SENTENCE OF SECTION 302(C) IS DERIVED FROM 96-517 WITH SOME REWORDING.

9. SECTION 304, APPEALS, IS BASED ON EXPERIENCE GAINED DURING THE IMPLEMENTATION OF 96-517.

OTHER AREAS IN WHICH CHANGES HAVE BEEN MADE INCLUDE THE FOLLOWING:

1. SOME CHANGES HAVE BEEN MADE IN THE PROCEDURES FOR EXERCISING MARCH-INS. WE HAVE DROPPED ANY STATUTORY REQUIREMENT FOR APA TYPE PROCDURES AND WOULD LEAVE THAT TO THE IMPLEMENTING REGULATIONS OF OMB. HOWEVER, WE HAVE COMPENSATED FOR THIS BY ADOPTING LANGUAGE IN H.R. 4564 WHICH CALLS FOR DE NOVO REVIEW BY THE COURT OF CLAIMS. SUCH REVIEW SHOULD ELIMINATE THE NEED FOR A FULL-BLOW APA PROCEDURE AT THE AGENCY LEVEL, ALTHOUGH BY REGULATION WE WOULD EXPECT SOME REASONABLE DUE PROCESS STANDARDS WOULD BE REQUIRED.

2. GOVERNMENT LICENSING AUTHORITY. WE HAVE SUBSTITUTED THE MORE COMPREHENSIVE PROVISIONS OF 96-517, WITH A FEW MINOR CHANGES, FOR THE UNNECESSARILY VOLUMINOUS SECTIONS OF H.R. 4564. STRONG SUPPORT WAS EXPRESSED BY A NUMBER OF AGENCIES FOR RETENTION OF THESE PROVISIONS. IMPLEMENTATION OF THESE PROVISIONS HAS PROCEEDED A LONG WAY, AND THEIR REPEAL WOULD CREATE A CHAOTIC SITUATION.

3. THOUGH WE HAVE NOT YET PROVIDED A MARK-UP OF THE REPEALER SECTION OF S. 1657, IT SHOULD BE NOTED THAT IT IS EVIDENT THAT A NUMBER OF OTHER PROVISIONS SHOULD BE REPEALED OR AMENDED AND THAT SEVERAL OF THE SECTIONS LISTED IN SECTION 501 ARE IN NEED OF CORRECTION.

4. AS MENTIONED PREVIOUSLY, A NEW SECTION 502 ON ANTITRUST HAS BEEN ADDED TO PROVIDE A MORE EFFECTIVE AND PRACTICAL MEANS OF ADDRESSING MISUE OF SUBJECT INVENTIONS UNDER THE ANTITRUST LAWS.

5. 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.

WE HAVE ALSO ADDED 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.