(l) Section 303 of the Water Resources Act of 1964 (P. L. 88–379; 78 Stat. 332) is repealed.[15]

(m) Subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (P. L. 89–4; 79 Stat. 5; as amended) is repealed.[16]

(n) Subsection (c) of section 204 of the Solid Waste Disposal Act (P. L. 89–272; 79 Stat. 997) is repealed.[17]

[15] Amends 42 U.S.C. 1961c–3.
[16] Amends 40 U.S.C. App. 302(e).
[17] Amends 42 U.S.C. 3253 (c).

(o) Section 216 of title 38, United States Code, is amended by deleting subsection (a) (2) thereof and by redesignating subsection (a)(3) thereof as "(a)(2)".[18]

SEC. 15. This Act shall take effect on the first day of the seventh month beginning after the date of enactment of this Act, except that section 4 shall take effect immediately and regulations implementing this Act may be issued prior to such day.

[18] Amends 38 U.S.C. 216 (a) (2).

Sectional Analysis of the Draft Bill

Section 1

Section 1 provides that the Act may be known as the "Government Sponsored Inventions Act of 197 ."

Section 2

Section 2 states the objectives of and policies behind this legislation—promoting maximum utilization of patents made under Government contracts, ensuring that such patents are not used in an anti-competitive manner, encouraging maximum participation in the research and development efforts of the Federal Government, and minimizing administrative cost.

Section 3

Section 3 contains the definitional provisions applicable to the Act.

Section 3(a) defines the term "Government agency" in a broad manner to include, by reference to 5 U.S.C. 105, the executive departments, Government corporations, and independent establishments, and the military departments.

Section 3(b) defines the term "agency head" to mean the head of any Government agency or, in the case of independent establishments such as commissions, the body controlling the agency. However, for purposes of this Act, the Secretary of Defense is to be considered the head of the military departments.

Section 3(c) defines the term "contract" in such a way as to include grants. For the purposes of this Act, it is not believed there is a rational basis for distinguishing between the two. Inventions made under Federal funding are to be treated in the same manner whatever the nature or label given to the instrument providing the funds for the work leading to the invention.

It is also to be noted that the term "contract" as used in this draft legislation is limited to contracts where a purpose of the contract is the conduct of experimental, developmental, or research work.

Section 3(d) defines the term "contractor" to include persons and corporations, partnerships, firms, associations, institutions, and other entities that are parties to a contract.

Section 3(e) defines the term "invention" to include any invention, discovery, innovation, or improvement, without regard to the patentability thereof, which falls within the classes of patentable subject matter defined in title 35 of the United States Code. This definition requires the contractor to report those items which appear to be within the general classes of patentable subject matter, without regard to the fact that the item may not be patentable for technical legal reasons.

Section 3(f) defines the term "inventor" as

a person, other than a contractor, who has made an invention under a Government contract but who has not agreed to assign his rights in such invention to the contractor. This definition combined with other provisions in the Act is designed to make it clear that this legislation is not intended to upset the relative rights of contractors and their employees. While in most cases contractor employees do, as part of their employment contract, assign rights in inventions made as part of their work, there are some cases where this may not be true. This Act is designed to ensure that such situations would be recognized and not disturbed. Accordingly, in many places throughout the Act a reference is made to the "contractor or inventor." Also section 6(b) of the Act provides that an inventor shall be bound by contract terms implementing this Act even though he is not a party to the contract.

Section 3(g) defines the term "disclosure" to require a written statement sufficiently complete to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and characteristics of the invention.

Section 3(h) defines the terms "made under the contract" or "made under a contract" to mean inventions conceived or first actually reduced to practice in the course of any work under a contract. The precise definitions of "conceived" or "first actually reduced to practice" are left to the courts and the implementing regulations and clauses. This definition does not make background inventions subject to this Act.

Section 3(i) defines the term "practical application" to mean the manufacture, practice, or operation of an invention, as the case may be, under such conditions as to establish that the invention is being worked. Moreover, even if an invention is being worked it will not be considered as having "practical application" unless its benefits are available to the public either on reasonable terms or through reasonable licensing arrangements.

Section 3(j) defines the term "principal rights" when used in relation to any invention to mean all rights to and interest in such invention with the exception of rights reserved either to the Government or to the contractor or inventor, as the case may be, under section 6 of the Act.

Section 3(k) defines the term "contracting activities" to mean entering into contracts. This term, when combined with the definition of "contracts", serves to limit the agencies required to issue implementing regulations under section 5(b) of the Act.

Section 3(l) defines the term "Board" to mean the Government Patent Review Board which is established by section 4 of the Act.

Section 4

Section 4(a) establishes the Government Patent Review Board as an independent establishment within the executive branch. Section 4(b) provides that the Board shall be composed of three members appointed by the President with the advice and consent of the Senate. By section 4(c) they are to have six year terms, and are to be paid, in accordance with section 4(d), at the rate specified for Level V positions in the Executive Schedule. Section 4(e) authorizes the appointment of personnel by the Board, and section 4(f) authorizes the Board to make necessary expenditures and contracts. Section 4(g) authorizes the Board to have an official seal. Section 4(h) authorizes the Board to delegate its functions to individual members, hearing examiners, or members of its staff, subject to the right of any individual Board member to bring any action before the Board for review. Section 4(i) is another general authorizing provision allowing the Board to perform such acts, make such rules and regulations, and issue such orders, not inconsistent with the Act, as may be necessary in the execution of the Board's functions. Section 4(j) authorizes the Board to issue subpoenas and to apply to the courts for the enforcement of the same. Section 4(k) requires the Board to submit an annual report of its activities to Congress. Section 4(l) authorizes other agencies to provide services to the Board on a reimbursable or nonreimbursable basis as may be agreed. Section 4(m) authorizes the Board to perform such functions as may be delegated to it by the President. This is included to ensure that the Board may take over functions that may be assigned to it in patent areas not strictly falling under

this Act. For example, it is possible that at some future date certain functions with respect to employee inventions might be assigned to the Board. Section 4(n) authorizes appropriations for the Board.

Section 5

Section 5 requires that those agencies that engage in research and development contracting issue regulations to implement this Act. Moreover, the President is to issue such regulations as he considers necessary or desirable to effectuate the policies and provisions of this Act. The agency regulations would have to conform to any Presidential regulations.

It is contemplated that the agency regulations would be included as a part of the normal procurement regulations of the agencies; although to the extent this Act also covers grant situations, implementation in procurement regulations alone may not always be sufficient. It is expected that the Presidential regulations would require or encourage uniformity in the implementing regulations and contractual language of the agencies. For instance, the President might order that the basic implementing regulations be included in the ASPR and the FPR and that all agencies conform to one or the other of these as is applicable.

In addition, it is expected that the President would delegate primary responsibility to the Government Patent Review Board for the development of rules and regulations to implement this Act.

Section 6(a)

Section 6(a) requires that all contracts of the type covered by this Act include provisions necessary to effectuate the provisions of the Act. Many of the required provisions would have as their purpose the precise establishment of rights as set forth in sections 7 and 8 of the Act. Certain paragraphs of section 6(a), however, are independent of sections 7 and 8. These are discussed below.

Section 6(a)(1) requires that a clause be included requiring prompt disclosure of any invention made under the contract. Failure to make a prompt disclosure can lead to a revocation of all rights in the invention pursuant to section 8. The purpose of this is to discourage contractors from trying to avoid disclosure so as to make use of the inventions either as a trade secret or by attempting to obtain patent rights on it without acknowledging the fact that it was made under Government contract. Section 10 of the Act also requires that a statement be made in connection with any patent application whether or not the invention was made under the Government contract. Section 6(a)(8) also requires a clause compelling similar action.

Section 6(a)(4) provides that the United States will receive at a minimum an irrevocable, nonexclusive, nontransferable, royalty-free license for the practice of each invention made under a Government contract throughout the world, by or on behalf of the United States, for Federal Government purposes. Agency heads are given authority, however, to expand the license to include State and local governmental practice of the invention.

Sections 6(a)(6) and (7) allow the Government or the contractor, as the case may be, to file for patent rights in foreign countries if the other party does not desire to do so. This follows the recent amendment of the Presidential Statement of Government Patent Policy. It is intended to provide for a disposition of foreign rights where the owner of the principal rights does not elect to protect the invention in foreign countries.

Section 6(a)(8) requires contractor patent applications to include a statement as to whether the invention is subject to this Act. This is intended to ensure that inventions made under Government contracts are readily identifiable. It supplements other provisions in this Act designed to accomplish similar ends.

Section 6(a)(10) is designed to ensure that the contract will contain provisions adequate to require reporting and other information by the contractor necessary to effectuate this Act. Section 8 of the Act provides that the submission of any false material statement could lead to the revoking of the contractor's rights in the patent.

Section 6(b)

As discussed previously, section 6(b) provides that an inventor, even though not a

party to a contract, is bound by contractual provisions which implement this Act. This, of course, because of the definition of "invention" in section 3(f), would only have application where the inventor had not agreed to assign his rights in inventions made by him to his contractor/employer.

Section 7(a)

Section 7(a) specifies the situations in which the Government will take principal rights in any inventions made under a contract. These are limited to two situations. First are those situations in which the purpose of the Government is to fund any invention to the point of practical application. In such case, of course, there is no need to allow contractors to obtain principal rights in order to achieve utilization. The other circumstance in which the Government would take the principal rights initially is where the contract is with a nonprofit organization unless the agency head determines that there is a sufficient basis to believe that reasonable steps will be taken such as will promote the policies and objectives of this Act. Since most universities or nonprofit organizations lack a marketing and manufacturing capability, there is little to be gained by allowing them to obtain rights in inventions they develop under Government contracts. In such circumstances the invention would merely go idle. It is believed that there is a better likelihood that the agencies will have programs to encourage use of inventions. On the other hand, where such a nonprofit organization does have a program for bringing inventions to commercial use, then no reason is seen for not taking advantage of this capability.

Section 7(b)

Subject to the license to be granted the Government and to the limitations in sections 7(c) and 8, the Act provides that contractors will be given the option to acquire principal rights in inventions made under a contract in all cases not covered by section 7(a) at the time the contract is entered into. Section 7(b) also provides that where the contractor does not exercise his option, the Government will receive principal rights in the invention.

Section 7(c)

Section 7(c)(1) is designed to guard against cases where the contractor has failed to take steps to bring the invention to the point where it is available to the public on reasonable terms, where the invention is necessary to fulfill health or safety needs, or where the use of the invention is required by regulations. The Government Patent Review Board is authorized, at any time three years after the patent has been issued (or at any time after the issuance of the patent in the case of inventions necessary to fulfill health or safety needs or when use of the invention is required by regulation), to license or require the licensing of the patent to persons filing applications with the Board on such terms as it deems proper and to otherwise modify and diminish the rights of the contractor. In addition, section 7(c)(3) establishes various criteria to be considered by the Board in making its determinations under section 7(c)(1).

It is recognized that the existence of the provisions at section 7(c)(1) tend to diminish somewhat the incentives for contractors to risk capital to develop an invention. This is especially true where the three-year time limit is unrealistic. Accordingly, section 7(c) also grants the Board authority to extend the period during which Board action may not be taken under section 7(c) or to set a period in the case of inventions necessary to fulfill health or safety needs or required to be used by regulation. The Board in considering such requests is to be guided by the criteria set forth in section 7(c)(3).

It is also recognized that there may be cases where companies with a strong background position in a particular area would refuse to enter into contracts where their commercial rights in inventions are not clear. In such cases, the Government may be forced to go to a less qualified contractor and to pay a higher price since the less qualified contractor will incur costs in attempting to develop the necessary background understanding. To avoid this problem, the Board is authorized, after application by an agency, to extend the exclusive period as to classes of inventions. It might be noted that the Board's decision in such cases, unlike most others of the Board, would be final pursuant to section 9(c) of the Act and would

not be subject to the Administrative Procedure Act. This is because such decisions are intimately related to the contracting process itself, and to the orderly functioning of agency procurement activities.

Section 7(c)(2) requires the Board to include a finding as to whether an invention is necessary to fulfill health or safety needs or is required for use for governmental regulations as part of its final disposition of cases before it. Where a positive finding is made, a contractor whose rights had been diminished by the Board would be barred from obtaining injunctive relief against the use of the invention until such time as the Board's decision is fully reviewed and reversed by a court of competent jurisdiction. This section is designed to prevent a contractor who has been initially given principal rights to inventions necessary to fulfill health or safety needs or required for use by governmental regulations from delaying the use of those inventions by others through delaying tactics in court. In large part, it is believed the primary thrust of this provision is to reinforce the general reluctance of the courts to grant injunctive relief in situations involving inventions needed for public health and safety.

Section 8

Section 8 provides for the revoking, by the Board, of the patent rights of a contractor in an invention made under a Government contract under four circumstances. First, it applies where the contractor fails to render a prompt disclosure of an invention made under a Government contract. Second, it applies where he has made material false reports about such an invention. Third, it applies where the patent on the invention has been used in a manner that violates the antitrust laws. And finally, it applies where the statement required by section 11 was false. These safeguards are intended to prevent abuses by contractors and unconscionable use of inventions partly financed by the Government.

Under this section, the Board can act upon an application of an agency head, a private person, or upon its own initiative. The purpose of granting this authority only to the Board, and not also to the courts, is to place a control mechanism over the revoking of contractor rights. If, for instance, this Act had merely provided that the occurrence of any of the four listed events would result in a forfeiture, one could readily foresee this issue being raised in patent litigation between private parties. A difficult question would then arise as to whether the district courts could make independent determinations on these matters.

Section 9

Section 9(a) provides that Board proceedings under section 7(c) and 8 are subject to the Administrative Procedure Act and judicial review. An exception is made, however, as discussed previously, for Board decisions regarding agency requests to extend the exclusive period for proposed contractors. In addition, Board approvals of the use of a "title" clause under section 7(a)(1) are not covered by section 9(a).

Section 9(a) also specifies that the Board actions which are subject to the Administrative Procedure Act are to be conducted on the record and with hearings. The APA, itself, does not require hearings, but merely provides procedures where another act requires hearings. Section 9(a) also limits requests for judicial review to a sixty day period so that uncertainties regarding patent rights will not unduly delay the development and utilization of inventions.

Section 9(b) grants finality to Board decisions under section 7(a). Likewise, section 9(c) makes clear that Board decisions on agency applications regarding proposed contracts under section 7(c)(1) are final.

Section 10

Section 10 provides that agency heads may delegate their authorities under this Act.

Section 11

Section 11 requires that applicants for patents file a statement as to whether or not the invention was developed under a Government contract or during the course of their employment with the Government. This will aid in

providing a system of easy identification of patents on inventions in which the Government holds an interest.

Section 12

Section 12 provides greater flexibility to the agencies than is currently possible in the promotion of Government-owned patents. Most importantly it clarifies the authority of the agencies to grant exclusive licenses, with or without royalties and for the whole or any part of the unexpired term of the patent. It also provides the necessary authority for Government agencies and grantees of patent rights to act to protect their respective rights. This is needed if a program including exclusive licensing is to succeed.

The language proposed here is merely intended as one way of arriving at the goal of clear cut authority for the issuance of exclusive licenses. No objections are seen to possibly developing more extensive statutory guidelines as to the use of the authority granted or to, perhaps, limiting some aspects of the authority.

Section 13

Section 13 is a standard severability provision.

Section 14

Section 14 contains a series of technical amendments repealing various provisions governing the disposition of rights in inventions made under Government contracts which are in conflict with the provisions of this Act. Many of these also impact on policy in the copyrights and technical data areas. A number of these are simply statements that the results of particular research will be made available to the public. Since such language has sometimes been interpreted to require a "title policy" it must be amended. Likewise the repeal of the nonpatent aspects of these statutes is needed to allow flexible but more uniform Government-wide policies with respect to data and copyrights.

Section 15

Section 15 delays the effective date of the Act for about 6 or 7 months after its enactment depending on the time of the month it is enacted. Its purpose is to allow time for the agencies to make appropriate revisions to their clauses and regulations. However, it does allow the setting up of the Board immediately and for the commencement of efforts to develop implementing rules and regulations.