APPENDIX A

Draft Patent Policy Legislation

This appendix is in two parts—a draft bill and a sectional analysis of that bill. The draft bill would implement the alternative system developed during our studies of the disposition of rights in inventions made under Government contracts. We recommend prompt implementation of the revised Presidential patent policy and set forth this draft legislation only for the purpose of clearly identifying the alternative we considered. This alternative should be evaluated if experience under the Presidential policy suggests the need for new policy.

It should also be noted that section 12 of the Act could serve as a model for immediate legislation granting the agencies authority to issue exclusive licenses in patents as recommended by the Commission. In addition, the technical amendments in section 14, with some possible exceptions, include the legislation which should be repealed in order to allow uniform implementation of the Presidential policy.

A Bill

To establish a uniform national policy concerning property rights in inventions made through the expenditure of public funds for the performance of research and development work for the Government, and for other related purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

SEC. 1. This Act may be cited as the "Government Sponsored Inventions Act of 197 ."

SEC. 2. It is the policy and objective of Congress to promote the utilization of inventions made under Government contracts, to encourage maximum participation by private persons in the research and development efforts of the Government, to ensure that inventions made under Government contracts are used in a manner to promote free competition and enterprise, and to minimize the costs of administering Government policies in this area.

SEC. 3. As used in this Act—

(a) The term "Government agency" means an "executive agency" as defined by section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

(b) The term "agency head" means the head of any Government agency, except that (1) the Secretary of Defense shall be head of the Department of Defense and of each of the military departments and (2) in the case of any independent establishment control over which is exercised by more than one individual, such term means the body exercising such control.

(c) The term "contract" means any contract, grant, agreement, commitment, under-

standing, or other arrangement entered into between any Government agency and any person where a purpose of the contract is the conduct of experimental, developmental, or research work. Such term includes any assignment, substitution of parties, or subcontract of any tier entered into or executed for the conduct of experimental, developmental, or research work in connection with the performance of that contract.

(d) The term "contractor" means any person and any public or private corporation, partnership, firm, association, institution, or other entity that is a party to the contract.

(e) The term "invention" means any invention, discovery, innovation, or improvement which, without regard to the patentability thereof, falls within the classes of patentable subject matter defined in title 35, United States Code.

(f) The term "inventor" means any person, other than a contractor, who has made an invention under a contract but who has not agreed to assign his rights in such invention to the contractor.

(g) The term "disclosure" means a written statement sufficiently complete as to technical detail to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and, as the case may be, physical, chemical, or electrical characteristics of the invention.

(h) The terms "made under the contract" or "made under a contract" when used in relation to any invention mean the conception or first actual reduction to practice of such invention in the course of any work under the contract or under a contract, respectively.

(i) The term "practical application" means to manufacture in the case of a composition or product, to practice in the case of a process, or to operate in the case of a machine or system, and, in each case, under such conditions as to establish that the invention is being worked and that its benefits are available to the public either on reasonable terms or through reasonable licensing arrangements.

(j) The term "principal rights" when used in relation to any invention, means 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.

(k) The term "contracting activities" means entering into contracts.

(l) The term "Board" means the Government Patent Review Board.

SEC. 4. (a) There is hereby established as an independent establishment within the executive branch of the Government the Government Patent Review Board.

(b) The Board shall be composed of three members to be appointed by the President, with the advice and consent of the Senate, one of whom will be designated Chairman by the President. The Chairman shall be the chief executive officer of the Board. It shall be his duty to preside at all meetings of the Board, to represent the Board in all matters relating to legislation and legislative reports, except that any member may present his own or minority view or supplemental reports, to represent the Board in all matters requiring conferences or communications with other Governmental officers, departments, or agencies, and generally to coordinate and organize the work of the Board in such manner as to promote prompt and efficient disposition of all matters within the jurisdiction of the Board. In the case of a vacancy in the office of the Chairman of the Board, or the absence or inability of the Chairman to serve, the Board may temporarily designate one of its members to act as Chairman until the cause or circumstance requiring such designations shall have been eliminated or corrected. In the event of a failure to agree upon a temporary chairman as described above the senior member in terms of service of the Board shall be the temporary chairman, or, if equal in seniority, that member with the longest term of office remaining.

(c) The members first appointed shall continue in office for the terms of two, four, and six years, respectively, from the date of this Act, the term of each to be designated by the President. Thereafter their successors shall be appointed for terms of six years, but may continue to serve beyond said terms until their successors take office; except that they shall not continue to serve beyond the expiration of the next session of Congress subsequent to the expiration of said fixed term of office and

except that any person chosen to fill a vacancy shall be appointed only for the unexpired term of the member whom he succeeds.

(d) Members of the Board shall receive compensation at the rate specified for Level V positions in the Executive Schedule, and for this purpose section 5316 of title 5, United States Code, is amended by adding at the end thereof the following: "(131) Members of the Government Patent Review Board."

(e) The Board shall have authority, subject to the civil service and classification laws, to appoint such personnel, including hearing examiners, as are necessary in the exercise of its functions.

(f) The Board is authorized to make such expenditures and enter into such contracts as are necessary in the exercise of its functions.

(g) The Board shall have an official seal which shall be judicially noticed.

(h) (1) The Board shall have the authority to delegate, by published order or rule, any of its functions to a division of the Board, an individual Board member, a hearing examiner, or an employee or employee board, including functions with respect to hearing, determining, ordering, certifying, reporting, or otherwise acting as to any work, business, or matter: Provided, however, that nothing herein shall be deemed to supersede the provisions of section 556 of title 5, United States Code.

(2) With respect to the delegation of any of its functions, as provided in (1) above, the Board shall retain a discretionary right to review the action of any such division of the Board, individual Board member, hearing examiner, employee, or employee Board, upon its own initiative or upon petition of a party to or an intervenor in such action, within such time and in such manner as the Board shall by rule prescribe: Provided, however, that any single Board member may bring any such action before the Board for review.

(i) The Board may perform any and all acts, make rules and regulations, and issue such orders, not inconsistent with this Act, as may be necessary in the execution of its functions.

(j) The Board or any member thereof is authorized to require by subpoena the attendance of witnesses and production of books, records, correspondence, memorandums, papers, or other documents. In the case of contumacy or refusal to obey a subpoena by any person who resides, is found, or transacts business within the jurisdiction of any district court of the United States, such court, upon application of the Board, shall have jurisdiction to issue to such person an order requiring such person to appear before the Board or a member or hearing examiner thereof, to produce evidence or to give testimony, or both. Any failure of any such person to obey any such order of the court may be punished by the court as a contempt thereof.

(k) The Board shall submit an annual report of its activities to Congress.

(l) Any department or agency of the Government is authorized to provide for the Board such services as the Board requests on such basis, reimbursable or otherwise, as may be agreed upon between the department or agency and the Chairman of the Board.

(m) The Board is authorized to perform such functions as may be delegated to it by the President.

(n) There are hereby authorized to be appropriated to the Board such sums as may be necessary to carry out the provisions of this Act.

SEC. 5. (a) The President shall issue such rules and regulations as may be necessary or desirable to carry out and effectuate the policies and provisions of this Act.

(b) The agency head of each Government agency engaged in contracting activities shall issue regulations, in conformance with any rules or regulations prescribed by the President, to carry out and effectuate the policies and provisions of this Act.

SEC. 6. (a) Each contract entered into by a Government agency shall contain provisions effective to—

(1) require the prompt disclosure by the contractor or inventor to that agency of any invention made under the contract;

(2) provide for the manner of and a time limit on the exercise by the contractor or in-

ventor of any option that may be available pursuant to section 7(b) of this Act;

(3) reserve to the United States rights in each such invention in conformity with the provisions of section 7 of this Act;

(4) reserve to the United States, in addition to any rights required to be reserved by section 7 of this Act, an irrevocable, nonexclusive, nontransferable, royalty-free license for the practice of each such invention throughout the world, by or on behalf of the United States, for Federal Government purposes; provided that agency heads may reserve rights for the practice of such inventions by State and local governments.

(5) reserve to the contractor or inventor rights in each such invention in conformity with the provisions of section 7 of this Act;

(6) provide, whenever principal rights in any such invention are acquired by the United States, and the agency head does not elect to secure a patent in a foreign country, appropriate means whereby the contractor or inventor may acquire such foreign rights subject to the rights reserved in the United States in accordance with paragraph (2) above;

(7) provide, whenever principal rights in any such invention are acquired by the contractor or inventor, and the contractor or inventor does not elect to secure a patent in a foreign country, appropriate means whereby the United States may acquire such foreign rights;

(8) provide, in the event a patent application is filed or caused to be filed by the contractor or inventor or any invention made under a contract, appropriate means whereby the patent applicant shall be required to include within the specification of such application and any patent issuing thereon, a statement specifying that the invention described therein is subject to the provisions of this Act;

(9) provide such provisions as might be useful to effectuate section 8 of this Act; and

(10) provide, wherever principal rights to any invention made under the contract are acquired by any person other than the Government agency on behalf of the United States, the right to require the owner of such rights to provide written reports at reasonable intervals, when requested by the Government agency or the Board, on the commercial use that is being made or is intended to be made of such invention.

(b) Notwithstanding the fact that an inventor is not a party to a contract, such inventor shall be bound by contract terms which implement this Act.

SEC. 7. (a) Each Government agency shall acquire on behalf of the United States, at the time of entering into a contract, principal rights in any invention made under the contract if:

(1) it is determined by the agency head with the approval of the Board that it is the intention of the Government to take such steps as are necessary to achieve practical application of inventions made under the contract, or

(2) the contract is with an educational or other 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.

(b) In all other cases not covered by (a), the contractor or inventor shall be given the option to acquire the principal rights in any invention made under the contract. Such rights, however, shall be subject to the limitations set forth in (c) below. Said option shall be exercised at the time of disclosure of the invention or within such time thereafter as may be provided in the contract. The Government shall obtain principal rights with respect to any invention for which this option is not exercised.

(c) (1) Upon the application of any person or any agency head, the Board is authorized to grant such rights as it deems proper to such person, to order the contractor or inventor to grant to such person such rights as it deems proper, and to modify or diminish the rights of the contractor or inventor in such ways as it deems proper in any inventions made under a contract in which the principal rights have been given to the contractor or inventor if the Board determines that (i) three years have elapsed since the issuance of the patent covering such invention and the invention has not been brought to practical application or that reasonable steps have not been

taken to bring the invention to practical application; (ii) such action is necessary to fulfill health or safety needs, or (iii) the invention is required to be used by governmental regulation. Provided, however, that upon application of the contractor or inventor the Board is authorized to extend the three year period during which such grants, orders, modifications, or diminishments may not be made and, in the case of inventions (i) necessary to fulfill health or safety needs or (ii) required to be used by Government regulations, to set a period during which such grants, orders, modifications, or diminishments may not be made. Such extensions or setting of periods may also be granted to proposed contractors or inventors employed thereby as to specific classes of inventions upon application of the agency involved, prior to the making of the contract.

(2) As part of any final determination by the Board granting, or ordering the applicant to be granted, rights in any invention or modifying or diminishing the rights of the contractor or inventor, the Board shall include a finding as to whether or not such invention is necessary to fulfill health or safety needs or required to be used by Governmental regulations. In any such case where a finding has been made that the invention is related to the fields of public health or safety or required to be used by Governmental regulations, no court shall issue any order enjoining or restricting the use and practice of such invention by the applicant (or such other persons who might come within the scope of the benefits conferred by a Board determination) until such time as the court, in accordance with Section 9(a), has fully reviewed the Board's determination or has determined that the Board's finding that the invention is necessary to fulfill health or safety needs or is required to be used by Governmental regulations was erroneous. Further, in any such case, any such order of any court which was issued previously to the Board's determination shall be vacated and shall not be reinstated until such time as a court of competent jurisdiction, in accordance with Section 9(a), has fully reviewed the Board's determination or has determined that the Board's finding that the invention is necessary to fulfill health or safety needs or is required to be used by Governmental regulations was erroneous. Nothing herein, however, shall be construed as preventing the contractor or inventor from recovering reasonable royalties for such use or practice of his invention.

(3) The following criteria shall guide the actions of the Board under subsection (c)(1) above:

(i) Achievement of the earliest practicable utilization of inventions in commercial practice.

(ii) Encouragement, through the normal incentives of the patent system, of private investment in the commercial utilization of inventions.

(iii) Fostering effective competition in the commercial development and exploitation of inventions.

(iv) Insuring against nonutilization of inventions and excessive charges for the use of such inventions.

(v) The relative equities of the public, the inventor, the contractor, or assignees or licensees of the contractor or inventor, if any, as measured by the investments necessary to bring the invention to the point of practical application. In connection with (v) the following should be considered: (a) the relative contributions of the Government and the contractor or inventor or their assignees or licensees, if any, as measured by the investments necessary to bring the invention to the market place; (b) the mission of the program funding the contract from which the invention arose; (c) the type of invention and the magnitude of the problem it solves; (d) the scope of the patent claim; (e) the contractor's or inventor's background position; (f) the Government funding of background technology; (g) the scope of the market served; (h) the profit margin in relation to other similar inventions; (i) the feasibility and likely benefit of competition in the market served; and (j) such other considerations as the Board deems pertinent.

SEC. 8. Notwithstanding any other provisions of this Act, all rights in any invention made under a contract shall become the exclusive property of the United States upon a determination by the Board at the request of an agency head, upon the application of any person, or upon its own initiative that (i) the

contractor or inventor failed to render a prompt disclosure of such invention to the Government agency; or (ii) in any suit, action, or proceeding brought before a properly constituted authority authorized to hear such matters, there was a final determination that the patent covering such invention has been used in violation of the antitrust laws; or (iii) any information or reports furnished by the contractor or inventor under this Act or under regulations issued in implementation thereof contained a material false representation or omission; or (iv) the statement furnished pursuant to section 11 of this Act was false.

SEC. 9. (a) Except as provided in (c) below, proceedings of the Board pursuant to section 7(c) and section 8 shall be subject to the provisions of subchapter II of chapter 5 of title 5, United States Code, and chapter 7 of title 5, United States Code. Any order, decision, or determination of the Board pursuant to sections 7(c) and 8 shall be determined on the record after an opportunity for a hearing; Provided, however, that a hearing on the record is not required with respect to the agency applications respecting proposed contractors referred to in section 7(c)(1). Any action commenced for the judicial review of a Board decision under said subsections shall be brought within sixty days after notification of such decision.

(b) Determinations or decisions made as to whether a contract falls within the provisions of subsection (a) of section 7 shall be final and are not subject to chapter 7 of title 5, United States Code, or to subchapter II of chapter 5 of title 5, United States Code.

(c) Determinations of the Board on agency applications concerning proposed contractors as provided for in section 7(c)(1) shall be final and are not subject to chapter 7 of title 5, United States Code, or to subchapter II of chapter 5 of title 5, United States Code.

SEC. 10. Each agency head may delegate any authority conferred upon him by this Act to any officer, official, or other employee of the agency.

SEC. 11. Before any United States patent, not assigned to the United States, is issued on any invention, the applicant therefor shall be required to submit a statement to the Commissioner of Patents under rules promulgated by him declaring whether or not the invention was made under a contract with any Government agency or in the course of employment with the United States.

SEC. 12. (a) Each agency head, with the aid of the Attorney General when necessary, is authorized to take all suitable and necessary steps to protect and enforce the rights of the United States in any invention.

(b) Government-owned inventions shall be made available and their utilization fostered through dedication to the public, publication, or licensing on an exclusive or nonexclusive basis as appropriate. A Government-owned invention shall not be construed to include any invention in which a contractor or inventor has obtained principal rights pursuant to this Act. Exclusive or nonexclusive licenses for use of an invention either domestically or in foreign countries may be granted under such terms as the agency head may determine to be in the public interest, and may be granted for the unexpired term of the patent or for a more limited period of time and may be granted with or without payment of royalties to the United States.

(c) The grantee of any exclusive rights in any invention covered by a United States patent owned by the United States shall have the right to bring suit for patent infringement in the United States courts to enforce such rights without joining the United States as a party in such suit.

SEC. 13. If any provision of this Act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this Act or the application of such provisions to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

SEC. 14. (a) Section 10(a) of the Act of June 29, 1935, as added by title 1 of the Act of August 14, 1946 (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 Govern-

ment, or such other means as the Secretary shall determine." [1]

(b) Section 205(a) of the Act of August 14, 1946 (60 Stat. 1090, as amended) is amended by striking out the following language: "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." [2]

(c) Section 501(c) of the Federal Coal Mine Health and Safety Act of 1969 (P. L. 91–173; 83 Stat. 742) is amended by striking out the following language thereof: "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, demonstrations, 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." [3]

(d) Section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (P. L. 89–563; 80 Stat. 721) is repealed.[4]

(e) Section 12 of the National Science Foundation Act of 1950 (P. L. 90–407; 82 Stat. 360) is repealed.[5]

(f) Section 152 of the Atomic Energy Act of 1954 (P. L. 83–703; 68 Stat. 943) is repealed.[6]

(g) The National Aeronautics and Space Act of 1958 (P. L. 85–568; 72 Stat. 426; as amended) is amended by—

(1) repealing section 305 thereof; Provided, however, that subsections (c), (d), and (e) of said 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 said section 305 has been filed or requested to be filed by the Commissioner of Patents prior to the effective date of this Act; [7]

(2) striking out the following language in subsection 306(a) thereof: (A) "(as defined by section 305)" and (B) "the Inventions and Contributions Board, established under section 305 of this Act" and inserting in lieu thereof the following language: "an Inventions and Contributions Board which shall be established by the Administrator within the Administration"; [8]

(3) inserting at the end of section 203 thereof the following new subsection: "(c) 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." [9] and

(4) striking out the following from section 203 thereof: "(including patents and rights thereunder)".[10]

(h) Section 6 of the Coal Research and Development Act of 1960 (P. L. 86–599; 74 Stat. 337) is repealed.[11]

(i) Section 4 of Helium Act Amendments of 1960 (P. L. 86–777; 74 Stat. 920) is amended by striking out the following language thereof: "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." [12]

(j) Subsection (b) of section 4 of the Saline Water Conversion Act of 1961 (P. L. 87–295; 75 Stat. 628) is repealed.[13]

(k) Section 32 of the Arms Control and Disarmament Act of 1961 (P. L. 87–297; 75 Stat. 634) is repealed.[14]

[1] Amends 7 U.S.C. 742i(a).
[2] Amends 7 U.S.C. 1624(a).
[3] Amends 30 U.S.C. 951(c).
[4] Amends 15 U.S.C. 1395(c).
[5] Amends 42 U.S.C. 1871(a).
[6] Amends 42 U.S.C. 2182.
[7] Amends 42 U.S.C. 2457.
[8] Amends 42 U.S.C. 2458.
[9] Amends 42 U.S.C. 2473.
[10] Amends 42 U.S.C. 2473.
[11] Amends 30 U.S.C. 666.
[12] Amends 50 U.S.C. 167b.
[13] Amends 42 U.S.C. 1954(b).
[14] Amends 22 U.S.C. 2572.

(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