DRAFT

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20500

September , 1976

Honorable Carl Albert
Speaker of the House
of Representatives
Washington, D. C. 20515

and

Honorable Nelson A. Rockefeller
President of the Senate
United States Senate
Washington, D. C. 20510

Dear Mr. Speaker:

Dear Mr. President:

Enclosed are six copies of a draft bill

> "To establish a uniform Federal policy for intellectual property arising from Federally-sponsored research and development; to protect and encourage utilization of such technology and to further the public interest of the United States domestically and abroad; and for other related purposes,"

to be cited as the "Federal Intellectual Property Act of 1976," together with a statement of purpose and need and a section-by-section analysis.

We have been advised by the Office of Management and Budget there would be no objection to the submission of our draft bill to the Congress and further that its enactment would be in accord with the President's program.

Sincerely,

H. Guyford Stever
Director
Office of Science and
Technology Policy

Elliott L. Richardson
Secretary of Commerce

Enclosures

Dear :

Your letter of March 22, 1979, was most welcome. In it you noted that S. 414 no longer contains the background patents language that was in S. 3496. You go on to question what the remaining implications are with respect to the problem of agencies demanding background rights from small business contractors.

Let me note at the outset that Government policies in the background rights area have rarely been a source of problem for universities in general or WARF in particular. This is because our inventions tend to be of the "stand alone" variety. However, from what I have heard, I would sympathize with the concerns of small, high technology firms about the attitudes of many Government agencies. Obviously, S. 414 does not deal with this explicitly, although one would think that agencies would be less inclinded to seek background rights from small business firms if S. 414 becomes law. Such an attidtude would then conflict with the spirit of the law.

Thus, I believe that the implication of S. 414 would be to lessen the background rights problem, although not with the certainty that it might if specific language were added addressing the issue. Along that line, it is my understanding that small business representatives may seek amendments to S. 414 addressing this. They may raise the question during the Judiciary Committee hearings that are planned for June. Eric Schellin of the National Small Business Association provided

me a copy of language that they may propose. I personally believe that if you were to lend your support to S. 414 while at the same time initiating and obtaining agreement to add these provisions you would gain added support from the small business and university communities. (A copy of the language Eric provided is attached.)

Finally, you asked for an analysis of changes to S. 3496 that have improved S. 414. There were, of course, many minor drafting and technical improvements. I would say the major changes were as follows:

(1) Although this might tend to fall into the technical change category, we believe changes made in section 202(a) and (c) relating to reporting of inventions, election of rights, and filing of patent applications improved the bill.

(2) The new requirements in section 202(b) for written justifications and GAO oversight are also beneficial.

(3) Changes were made in section 205 dealing with the U.S. preference provisions that made it more realistic and workable. An enforcement section 203(d) was also added.

(4) As you discussed, section 207 was dropped.

(5) A number of changes were made in the sections dealing with Government licensing. These, of course, are not of particular concern to the university community, so I have not studied them in sufficient detail to know their complete impact. My general impression is that this years bill places greater stress on the need for

prospective Government licensees --of either exclusive or nonexclusive licensees-- to have a plan for developing the invention. This may prevent larger firms from requesting nonexclusive licenses simply to prevent small competitors from obtaining the exclusive rights necessary to stimulate investment and development.

Otherwise, I believe the bill is substantially the same as S. 3496.

I thank you again for your continued interest in the problems and needs of WARF. I urge you anew to support and cosponsor S. 414.

Sincerely yours,

Attachment

bcc: Eric Schellin
Norm Latker

DRAFT 1/8/78

Add the following to section 202:

(e) No funding agreement with a small business firm shall contain a provision allowing the Federal Government to require the licensing to third parties of inventions owned by the small business firm that are not subject inventions unless such provision has been approved by the head of the agency and a written justification has been signed by the head of the agency. In no event shall the Government require the licensing of others under any such provision unless the head of the agency determines that the use of the invention by others is necessary for the practice of a subject invention made under the funding agreement or for the use of a work object of the funding agreement and that such action is necessary to achieve the practical application of the subject invention or work object; and any such provision shall clearly state whether licensing may be required in connection with the practice of a subject invention and/or specifically identified work objects. Any such determination shall be on the record after an opportunity for a hearing. Any action commenced for the judicial review of such determination shall be brought within sixty days after notification of such decision.