TO: NORM LATKER
FAX 738-0212
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FROM: JOE ALLEN
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SUBJ: DELEGATION OF AUTHORITIES UNDER 99-502

4 PAGES
PLUS
COVER

UNITED STATES DEPARTMENT OF COMMERCE
National Bureau of Standards
Gaithersburg, Maryland 20899
OFFICE OF THE DIRECTOR

JAN 1 1 1988

MEMORANDUM FOR Under Secretary Ortner

From: Ernest Ambler
Director

Subject: Delegation of Authority Under P.L. 99-502

I am requesting delegation of the authority contained in the Federal Technology Transfer Act of 1986 (P.L. 99-502) to enter into cooperative research and development agreements between the National Bureau of Standards and non-governmental organizations. Based upon discussions with Barry Berringer and Joe Allen (OPTI), I believe NBS is well prepared to implement the Act's objective and provisions.

Section 11 (a) of the Act authorizes the Director of individual Federal laboratories to enter into cooperative R&D agreements and to negotiate licensing agreements. Although the Act broadens their coverage, NBS has used cooperative agreements and related collaborative arrangements for many years. The technology transfer objectives of the Act are consistent with the mission and programs of NBS to help U.S. industry better apply science and technology.

I am requesting that authority to enter into cooperative R&D agreements and licensing agreements be delegated to me so we may continue cooperative work with industry without interruption or uncertainty. This authority will be redelegated to the managers of the Major Organizational Units (MOUs) within NBS. I believe this arrangement provides desirable flexibility for NBS but maintains sufficient control and oversight.

The attached Statement of Policy outlines how NBS has planned to implement the Act and related Executive Order 12591 in its laboratories. This Statement will be distributed to all management officials in NBS as a way to ensure consistent actions and to increase awareness of the Act's goal and the new opportunities its creates. Appropriate sections in the NBS Administrative Manual will be updated soon.

In summary, I hope the above description assures you that NBS has sufficient experience and management plans so that delegation of the authority to enter into cooperative R&D agreements and licensing agreements can proceed soon.

Attachment

cc: J.H. Burrows
D.E. Edgerly
H. Hellwig
D.R. Johnson
J.W. Lyons
L.H. Schwartz

STATEMENT OF POLICY

PURPOSE

The Technology Transfer Act of 1986 was signed into law on October 20, 1986, and on April 10, 1987 the President issued Executive Order 12591 on Facilitating Access to Science and Technology. Since these documents create new responsibilities and opportunities for the National Bureau of Standards, this statement addresses NBS goals and procedures for implementing these provisions. It is meant to increase awareness of NBS staff to these changes, and to clarify the Bureau's policy and procedures in related areas. Federal laboratories, and the Department of Commerce, in its role as a government-wide coordinator of the Act, are just beginning to implement its mandate, so these NBS procedures may go through a process of evolution as additional regulations and experience unfold.

POLICY

The National Bureau of Standards fully supports the goal of the Act and Executive Order to improve the transfer of commercially useful technologies from the Federal laboratories into the private sector. Throughout most of its 86 year history, the mission of NBS has led the Bureau to work closely with U.S. industrial firms to transfer the results of its research to private sector users. Thus NBS will require far fewer changes than most Federal laboratories to fulfill the provisions of the Act.

NBS Organizational Responsibilities

Technical Operating Units The line organizations of NBS have the primary responsibility for identifying/evaluating the commercial potential of research carried out in their units, establishing appropriate collaborations with outside organizations (including licensing of patent rights), and promoting commercial use of the results of the Bureau's research. This is appropriate because staff in those units continually deal with new technology and interact with industrial users. They should make regular use of available tools to fulfill this responsibility, including the abilities provided in the Act and Executive Order.

Office of Research and Technology Applications ORTA at NBS will assist operating units by serving as an intermediary with industry, State and local economic development organizations, and other external groups. It will provide assistance in identifying opportunities for cooperative research and in assessing the commercial applicability of NBS research projects, as well as serving as a point of contact in linking external technology needs to specific NBS resources. ORTA, as it is already doing for the NBS Research Associate Program, will assist the technical units in negotiating cooperative R&D agreements, monitor them and maintain records of agreements. ORTA also represents NBS in assisting the Federal Laboratory Consortium for Technology Transfer as provided for in the Act.

NBS Inventions and Patents Committee The Inventions and Patents Committee has the function of determining the disposition of invention disclosures filed by NBS employees. This Committee, originally established in 1949, had its

membership and functions revised in March 1987 to reflect the Act (NBS Administrative Manual, Subchapter 2.10, and Administrative Bulletin 87-7). The Committee has the function of selecting, for action by the Patent Counsel, those invention disclosures which should be protected by patent. It also determines if an employee's invention is directly related to his/her assigned duties at NBS.

Assistance from the Department of Commerce It is NBS policy to make use of outside assistance available from the Department of Commerce. The General Counsel's office in DoC is responsible for providing legal services to NBS on patent processing and related matters. NBS plans to continue using the services of NTIS to promote, license, and collect royalties for the bulk of the patents it holds. NBS will make use of advice and information on common experiences from OPTI, in its role as government-wide coordinator of the Act.

Royalties for Employees

The Act mandates a minimum 15% royalty on patents held by NBS to the employee(s) responsible for the invention. NBS has already been following this policy and will continue to make such payments. These royalties will be paid out of license fees actually received from users of each patent. Collections from licensees and payments to inventors will continue to be made by the NTIS Patent Licensing Office for NBS patents licensed by NTIS. The other 85% of received royalties will be paid to NBS and used for related purposes such as licensing expenses, performance awards to employees, and implementing technology transfer within, and by, the Bureau.

Cooperative Research and Development Agreements

It is the policy of NBS to make full and effective use of the cooperative R&D agreements as allowed by the Act. Authority to enter into such agreements will be delegated to MOU Directors who may then redelegate authority as appropriate.

For purposes of NBS adherence to the Act, the following are included under the definition of Cooperative Research and Development Agreements:

(a) Memorandums of Understanding or other forms of agreements between NBS and one or more non-Federal parties under which NBS provides personnel, services, facilities, equipment, or other resources with or without reimbursement (but not funds to non-Federal parties) and the non-Federal parties provide funds, personnel, services, facilities, equipment, or other resources toward the conduct of specified research and development efforts which are consistent with NBS's mission.

(b) Industrial Research Associate Agreements.

The following are excluded from the definition of Cooperative Research and Development Agreements:

(a) Memorandums of Understanding or other forms of agreements between NBS and other Federal Agencies.

(b) Memorandums of Understanding or other forms of agreements between NBS and non-Federal parties in which NBS funds are provided to such parties.

(c) Procurement contracts and grants.

(d) Visiting scientist (guest worker) agreements.

(e) Agreements for use of approved NBS facilities for proprietary research under contractual arrangements.

(f) Cost sharing agreements with non-Federal parties as outlined in sections 6303, 6304, and 6305 of Title 31 USC (sections of the Federal Acquisition regulations).

As provided for in the Act, delegatees may grant licenses or assignments to collaborating parties, and waive right of ownership to inventions subject to the Government retaining a non-exclusive license to practice the patent. NBS will permit employees and former employees to participate in the commercialization of inventions they made and will grant the right of ownership to an invention for which the Bureau does not intend to file a patent. In negotiating agreements, delegatees will give consideration to small business and consortia involving small business firms, and will give preference to business units located in the U.S. which agree that products embodying inventions made under agreements will be manufactured substantially in the U.S.

Future Actions

Implementation of these policies will require further actions by various organizations within NBS. Technical operating units (MOUs) will increase awareness of their staff of the goals and added abilities of the Act and Executive Order. ORTA will prepare implementation procedures in the form of revised chapters of the NBS Administrative Manual. The NBS Inventions and Patents Committee will prepare and distribute its operational procedures.

TO: NORM LATKER
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FROM: JOE ALLEN
TEL: 377-8100
FAX: 377-0432

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Economic Affairs
Washington, D.C. 20230

MEMORANDUM FOR: Director, NBS

FROM: Robert Ortner
Under Secretary for Economic Affairs

SUBJECT: Implementation of the Federal Technology Transfer Act of 1986

The Secretary has delegated to me all the Department of Commerce (DOC) authorities under the FTTA. This memorandum responds to the President's April 10, 1987 Executive Order No. 12591 directing the heads of all Federal agencies to delegate the authorities of Section 2 of the FTTA to enter into cooperative research and development and licensing agreements to the heads of its laboratories (15 U.S.C. 3710a(a)(1) and (2)). This memorandum also responds to your January 11, 1988 memorandum to me regarding delegation of authority under Public Law 99-502, the Federal Technology Transfer Act of 1986 (FTTA) which is attached.

Implementation of this legislation opens new opportunities for DOC laboratories. The intent of the Congress, the President's Executive Order and the Department's mission require that we move quickly to decentralize technology management to the level closest to our creative investigators consistent with general policy coordination.

Accordingly, you are hereby separately authorized, within existing resources, to enter into cooperative research and development or license agreements as described by Section 2 of the FTTA (15 U.S.C. 3710a(a)(1) and (2)) between laboratories under your direct authority and the private sector. In addition to having authority to enter directly into collaborations, you will be responsible for coordinating and monitoring activities under the FTTA within your authority. In particular, while proceeding with cooperative or license agreements, you should develop an implementation plan, establish appropriate policy guidelines and procedures for carrying out the plan, and develop reporting, data collection, and other mechanisms necessary to assure that the FTTA is implemented in an appropriate manner.

I concur in your decision contained in your memorandum to me dated January 11, 1988, to immediately redelegate these authorities to the managers of Major Organizational Units (MOUs) within NBS. Your decision to allow the MOU managers to negotiate licensing rights to resulting inventions with the private sector is consistent with the Department's policies and those outlined in the law.

under the cond.tions of this delegation

You, as Director, NBS are delegated the general agency responsibilities assigned to "a Federal Agency" in Sections 2, 6, 7, and 8 of the FTTA (15 U.S.C. 3710a through 3710d), with respect to NBS' laboratories, or services subject to Appendix A and my general management and oversight responsibilities. In the same context, you, when acting under 15 U.S.C. 3710a(a)(1) and (2), are delegated the responsibilities assigned to "a Government-operated Federal laboratory" in Sections 2, 6, 7 and 8 of the FTTA subject to Appendix A.

This delegation will be reviewed one year from this date. At the end of the year I intend to evaluate our progress, problems, procedures and implementation and the delegation made here under In the meantime, you should exercise the delegation made by this memorandum in accordance with Appendix A.

For the purpose of assisting me in fulfilling my coordination and monitoring responsibilities, I am creating a Commerce Laboratory Technology Advisory Board. The Board will consist of Associate Under Secretary Barry Beringer, as Chair, the Chief Counsel for Economic Affairs, and yourself, as well as the Administrator of NOAA and the Assistant Secretary of NTIA. Other Departmental officers will be invited to provide coordination within the Department and to assist in implementing the Act. Mr. Joseph Allen, Director, Office of Federal Technology Management will serve as Executive Director of the Board. He can be reached for information and assistance at (202) 377-0659.

I look forward to working with you on this matter which I hope will open major new opportunities for research and collaboration.

Attachment

APPENDIX A
CONDITIONS AND PROCEDURES TO BE FOLLOWED BY DELEGATEES
IN EXERCISING THEIR DELEGATIONS

1. Under cooperative research and development agreements entered into pursuant to the Federal Technology Transfer Act of 1986 (FTTA), delegatees may accept, retain and use funds, personnel, services and property from collaborating parties, and in exchange may provide personnel, services and property, but not funds to the collaborative effort. (See 15 U.S.C. 3710a(b)(1)).

2. The delegatees may also, in advance, grant licenses or assignments to collaborating parties for any invention made by a Federal employee under such agreements; and also in advance, may waive Federal Government ownership to any inventions made by employees of the collaborating organizations under such agreements. However, a non-exclusive, non-transferrable irrevocable paid up license must be retained for governmental use. (See 15 U.S.C. 3710a(b)(2) and (3)). In such cases where it is determined to grant any of the above rights in advance, they shall be granted directly to the collaborating parties.

3. Where appropriate, delegatees should permit employees and former employees of laboratories to participate in the commercialization of inventions they made while in the service of the United States. (See 15 U.S.C. 3710a(b)(4)).

4. In order to comply with Section 2 of the FTTA (15 U.S.C. 3710a(c)(3)(A)), any potential conflict of interest arising during negotiation of a cooperative agreement should be immediately reported to the Office of Federal Technology Management.

5. Under Section 2 of the FTTA (15 U.S.C. 3710a(c)(4)(A)), when negotiating such agreements delegatees should give special consideration to small business firms and consortia involving small businesses, and should follow the requirements of Section 15 U.S.C. 3710a(c)(4)(B) pertaining to preference for business units located in the United States.

6. In accordance with Section 2 of the FTTA (15 U.S.C. 3710a(c)(5)(A)), any cooperative or license agreement entered into by a delegatee under 35 U.S.C. 3710a(a)(1) and (2) should include a clause providing a 30-day period for the official to whom the delegatee reports to disapprove or require the modification of the agreement. In any case in which such an official disapproves or requires the modification of a cooperative or license agreement, a written explanation of such disapproval or modification shall be transmitted to delegatee in accordance with 15 U.S.C. 3710a(c)(5)(B).

7. The heads of NBS, NOAA and NTIA shall receive all royalty or other income produced under cooperative and license agreements negotiated under 15 U.S.C. 3710a(a)(1) and (2) for distribution to their respective laboratories. After paying at least 15 percent (not to exceed $100,000 per year) of the royalties or other income received to the inventor in accordance with Section 7 of the FTTA (15 U.S.C. 3710c(a)(1)(B). Pursuant to 15 U.S.C. 3710c(a)(1), agencies may establish larger inventor percentages as deemed appropriate. Any remaining amount shall be used at the agency or the agency's other laboratories to carry out the essential purposes of the Act in accordance with 15 U.S.C. 3710c(a)(1)(B). Funds accepted under paragraph 1 above are not subject to this provision.

8. Notwithstanding paragraph 7. above, any agreement intended to cover services of other agencies, persons, or organizations for invention management and licensing services as permitted by 15 U.S.C. 3710c(a)(1)(B)(i) and 15 U.S.C. 3710c(a)(4) shall be sent to the Under Secretary for Economic Affairs for review and approval prior to their execution and implementation. However, as intended by 15 U.S.C. 3710c(a)(1)(B)(i), invention identification and evaluation and the filing of patent applications are the responsibility of the delegatees or other persons designated by the delegatees without further review or approval. Such invention identification and evaluation and the filing of patent applications may be undertaken through the use of distributed royalties or other income, as part of a cooperative or license agreement or from other available resources.

9. Delegatees who have the right of ownership to an invention to which it does not intend to file a patent application or otherwise promote commercialization shall allow the inventor to retain title in accordance with Section 8 of the FTTA (15 U.S.C. 3710d).

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