Invention Reporting

The position taken by DOD's patent staff, as manifested in proposed mark-ups of S. 1657, represents a drastic change in existing DOD reporting and related forfeiture requirements and is not a simple continuation of existing policies. We urge you to reexamine this new position and to support S. 1657 as now written which adequately protects the interests of DOD. (As a possible alternative, a requirement for disclosure within a reasonable time after "first actual reduction to practice" (but not conception) would be acceptable.)

S. 1657 requires disclosure within a reasonable time after contractor administrative personnel become aware of the invention and provides for possible forfeiture when disclosure is not made within that time. Obviously, as a practical matter, the earliest time a contractor can report anything is after it becomes aware of it.

Under the proposed DOD language, contractors would be subject to forfeiture for failure to disclose within a reasonable time after making, which includes both "conception" and "reduction to practice". While current DOD patent clauses place an obligation on the contractor to report inventions within 6 months from their

making, the forfeiture provisions of the clauses are not tied to this time. In particular, forfeiture for nonreporting (not late reporting) is only applicable when there is a failure to report within 6 months after a patent application has been filed or within 6 months after a final certification of inventions under the contract has been made. The final certification is made 3 months after completion of work under the contract. The current clauses are clearly aimed at situations in which failure to report is fraudulent.

Under the mark-up proposed by DOD, current practice would be reversed. Title to numerous inventions would be placed under a cloud, since as a practical matter, it is simply not possible to report inventions within 6 months or probably any other time period, after conception without sweeping in unfinished projects. Contractors would have to report on hundreds of untried and untested ideas (conceptions) just to be sure they were covered on the ones that later were tested and showed indications of practicality. While contractors would literally have to do that under current DOD clauses, the more practical forfeiture requirements of the same clauses have avoided the need to literally comply. Thus, this has never proven a real problem.

S. 1657, as now written, will in fact give DOD the same disclosure it has always been getting. Indeed, it might even

require contractors to make earlier disclosure in some cases, since its forfeiture provisions in most instances will be earlier than those in existing DOD clauses. On the other hand, S. 1657 as now written is administratively practical and will not place a cloud over the title to inventions conctractors wish to retain. In contrast, the proposed DOD mark-up would create clouds over numerous inventions.

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Productivity, Technology and Innovation
Washington, D.C. 20230
(202) 377-1984

NORM

June 6, 1983

Dr. Jerome Smith
Technical Director
Office of Naval Research
800 N. Quincy St., Room 907
Arlington, VA 22217

Dear Dr. Smith

We enjoyed our meeting on May 17 and would like to continue the exchange of ideas.

We have long maintained that the promise of invention ownership would create in government contractors the incentives necessary for timely protection of all inventions of importance to both the contractor and the government. If our premise is correct, penalties for untimely reporting that threaten the contractor's ownership seem unnecessarily adversarial, particularly if based on something so unverifiable as "conception."

You challenged this on the basis that the incentive of contractor ownership may not be sufficient to assure reporting where the invention has only a potential for military use. You suggested that in such a situation the contractor has little need to report since it would not bear any responsibility for infringement losses if a later government purchase was successfully challenged by a third party patentholder. Further, you suggested that the contractor-inventor also has little incentive to disclose.

Clearly both you and we should be interested in the protection of only those inventions having potential for government and/or public use. At the time of invention the market for an invention cannot be conclusively predicted. However, even in those few instances where a contractor might judge an invention to only have a potential U.S. government market, we believe it will have as strong an interest in establishing a patent position to cut-off potential claims against the government as the government itself. This is in addition to the fact that the contractor has contractually agreed to report such an invention. This interest is fueled by at least:

- The possibility that the government will require the contractor to identify the government for patent infringement losses in any future contract it enters into for supply of the invention to the government. (As noted, it would be rare that a contractor could conclusively

determine the extent of a potential market at the time of invention).

- o Recovery of costs it incurs for reporting and filing patent applications on the invention.

- o The desirability of establishing itself as the inventing organization in the eyes of the government for the purpose of future procurement.

- o The possibility the invention can be sold for foreign military application or might later find a commercial use.

While contractor incentives to protect potentially useful military inventions seem strong, after talking with you, we are less certain about the contractor-inventor's incentive to report in a purely defensive situation. Given this uncertainty, we suggest as one possibility a cash payment to the inventor on the filing of a patent application similar to the payments used in some Navy laboratories to stimulate reporting. The proposed FAR provision 27.301-2(d)(1) of threatening the contractor with loss of ownership if its inventor does not report within an arbitarily determined time period is not in our view a substitute for a properly designed incentive system. Further we believe that this provision will be viewed as a contradiction of your goal of a cooperative contractor-government program for identifying potentially useful military inventions.

Under any circumstances the FAR provision is not an appropriate government-wide policy as it is clearly designed to respond to your belief that contractor ownership is not sufficient to trigger reporting of inventions that have only military application and no likelihood of commercial use. Much R&D funded by the civil agencies is to produce technologies for private sector use, where certainty of title is necessary to achieve the objective.

Sincerely,

Norman J. Latker
Director
Office of Federal Technology
Management Policy

bcc: Milbergs
Ellert
Parker
Chron

The Reagan Administration has consistently supported the concept of contractor ownership of inventions made with Federal support and endorsed legislation to achieve it. When the Schmitt Bill (S. 1657) became stalled in the last session of Congress, the Department of Commerce initiated the February 18, 1983 Presidential Memorandum on Government Patent Policy. The Memorandum directs agencies, to the extent permitted by law, to allow nearly all R&D contractors to own inventions under policies that are the same or substantially the same as those applied to the small business and nonprofit organizations under P.L. 96-517. Implementation of the Memorandum, as intended, is being frustrated by the patent staffs at DOD, NASA, and Energy through their control of Part 27, Patent, Data and Copyrights of the new Government-wide Federal Acquisition Regulation (FAR). FAR is scheduled to replace all existing patent regulations on September 30, 1983 and would thereby be the only vehicle implementing the President's Memorandum. Notwithstanding the President's Memorandum, the FAR regulations have been drafted to allow contractor ownership but under policies substantially different than those extended to small businesses and nonprofit organizations under P.L. 96-517. Incredibly, the clear ownership under the current practices of some agencies would be severely clouded by conditions included in the proposed FAR. For instance under FAR, contractors must report an invention within 6 months from its conception (which is undefined), and elect rights and file a patent application

within 6 months thereafter or be subject to loss of ownership if the prescribed actions are not taken within the allotted periods. The spector of loss of ownership as a penalty for late reporting, within 6 months from "conception" has no precedent in present regulations. Since it is not readily feasible to report 6 months from something so unverifiable as "conception", title to many inventions will be clouded. Small business and universities were able to eliminate a similar provision in the development of regulations implementing P.L. 96-517 through vigorous opposition. A number of similar conditions in which performers other than small business and universities are treated in a more restrictive manner are discussed in the attached comments on FAR. Without an indication of private sector concern, no organized process for objective review of the regulations can emerge to force corrective action.

In addition to the problems in the patent section, Part 27 of FAR includes a first attempt to prescribe a government-wide policy on ownership of technical data made or submitted in performance of government contracts. In most part, the section on technical data implements the policies of DOD, NASA and DOE to retain government ownership of technical data generated in the performance of such contracts. Since this policy is now being extended to all other agencies for the first time, and in light of the February 18, 1983 Presidential Memorandum endorsing contractor ownership of inventions, it appears that this is the correct time to raise the appropriateness of a

general principle of government ownership of technical data. Consistency with the February 18, 1983 Presidential Memorandum suggests a reversal of such presumption of ownership in technical data.

This could be accomplished by protecting the government's interest as it is under the new patent policy, by negotiating the rights agencies need to perform their mission at the time of contracting.

Contractor ownership of technical data (subject to appropriate license rights in the agency) could serve at least the following purposes:

a. It would place control of the data in the hands of U.S. companies to the exclusion of foreign competition. Clearly this is a better choice than permitting foreign competition the free access they have under present policy.

b. It would dampen the flow of sensitive but unclassified data to the extent it had an identifiable commercial potential.

P.L. 97-219 which establishes a Small Business Innovation Research program (SBIR) in all agencies having research programs over a designated amount provides for just such ownership in small businesses functioning under this Act. It would be well to begin discussion on extending this concept to other contract performers.

Also attached is a short presentation which supports the concept of contractor ownership of government funding inventions as an important aspect of meeting foreign competition.

Attachments

E/SEC

Cottin

FORM CD-183
(REV. 2-80)
FORMERLY SEC-350

U.S. DEPARTMENT OF COMMERCE

ABSTRACT OF SECRETARIAL CORRESPONDENCE

TO:		The Secretary	X	The Deputy Secretary

Date: APR 7 1983

DECISION MEMORANDUM

From: Under Secretary for Economic Affairs

Prepared by: Norman J. Latker/OPTI/377-0659

Subject: Presidential Memorandum on Government Patent Policy

Outgoing:

A memorandum from you to Joe Wright providing recommendations to OMB for implementing the OPTI developed memorandum on Government Patent Policy, signed by the President on February 18. The President's Memorandum directs agencies to allow all R&D contractors to own inventions developed with Federal funds.

Background:

We need Joe Wright's help in the patent area. OMB will have to act if there is to be proper implementation of the President's February 18 Memorandum on Patent Policy. That memorandum, prepared by OPTI, directs agencies to allow nearly all firms to own inventions that result from Federal R&D funding under the policies already applied to small businesses and universities.

The policy is designed to promote innovation and private sector use of the latest technologies. A team of procurement and patent specialists of DoD, NASA, GSA, and Energy is developing a new Federal Acquisition Regulation, which Office of Federal Procurement Policy tells us will serve as the implementation of the President's Memorandum. We understand that this team intends to add terms and conditions to procurement contracts that are different from those applied to small business and universities. The differences would create unnecessary burdens for contractors or reduce the certainty of ownership.

Control No. _____

SURNAME AND ORGANIZATION (Typed)	DBMerrifield AS/PTI	AGC/EA	Exec Sec			
INITIALS AND DATE		4/1/83				

GPO : 1982 0 - 377-337

USCOMM-DC 1030-P80

The memorandum to Joe Wright transmits two recommendations:

1. A supplement to Circular A-124 that covers all contractors, which we feel should be circulated to the agencies for formal comment.

2. A draft memo from OMB to the agencies telling them how to implement the President's Memorandum quickly.

It should also be followed up by a phone call from you to Joe Wright, telling him that we are concerned about OFPP's reluctance to advise the agencies, including those involved with the Federal Acquisition Regulation exercise, that implementation of the President's memorandum should follow OMB Circular A-124. I would like an opportunity for the key staff members to brief you and explain what is involved.

Recommendation:

1. I recommend that you schedule a briefing by OPTI staff.

   Approve: MB Disapprove: ____ Approve with changes: ____

2. I recommend that you sign the attached memo to Joe Wright.

   Approve: MB Disapprove: ____ Approve with changes: ____

THE DEPUTY SECRETARY OF COMMERCE
Washington, D.C. 20230

13 APR 1983

MEMORANDUM FOR Joseph R. Wright
Deputy Director
Office of Management and Budget

Subject: Implementation of the Presidential Memorandum on Government Patent Policy

Implementation of the February 18 Presidential Memorandum on Patent Policy needs your attention (copy attached). We understand that a team of procurement and patent specialists drafting the new Federal Acquisition Regulation is trying to dilute the President's policy. The purpose of the policy is to provide incentives for commercial use of the newest Government funded technologies for the benefit of economy. The President's February 18 decision is an extension of the policy already applied to small businesses and non-profit organizations.

The policy reserves a free use license for the Government, so the concerns of the procurement community are provided for. The terms and conditions of contractor ownership, however, are issues for which Commerce is responsible, both by its mission and as the lead agency for OMB Circular A-124. The Circular establishes clear conditions for invention ownership by small businesses and nonprofit organizations. In spite of this, we find the Office of Federal Procurement Policy entertaining the notion that different and more severe conditions should apply to the contractors covered by the President's Memo.

Attached is a draft supplement to A-124. It tells agencies how to extend the Circular to all applicable contractors. I recommend that you have this draft circulated to all agencies for policy level review and comment as soon as possible. If you agree, Commerce will provide you with a balanced analysis of the comments and recommendations for supplementing A-124.

Since issuing the supplement will take time, we also enclose a draft memo for OMB to send to the agencies giving them three choices for speedy implementation of the President's Memorandun in the interim.

Guy W. Fiske

Guy W. Fiske

Attachments

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPT OF COMMERCE
OFFICE OF THE
SECRETARY
EXECUTIVE SECRETARIAT
MAY 23 3 23 PM '83

May 23, 1983

The Honorable Malcolm Baldrige
Secretary of Commerce
Washington, D.C. 20230

Dear Mac:

Thank you for your letter of May 16, 1983 (signed by Gerald Mossinghoff) regarding Government Patent Policy and the Federal Acquisition Regulation (FAR).

The staff of the Office of Federal Procurement Policy (OFPP) has worked closely with Mr. Norm Latker and Mr. Thornton Parker of your staff on patent policy development and implementation. We are aware of the differences between the major procuring agencies and the Department of Commerce on this issue.

Because the three agencies referred to in your letter (DOD, NASA, and DOE) account for roughly 95% of the reportable inventions covered by the President's memorandum, we cannot ignore their views. Further, it is my understanding that both current DOD and GSA implementation and the proposed FAR Part 27 conform to the President's memorandum by clearly stating that the contractor has first right of refusal to acquire title.

The Department of Commerce assisted OFPP in the drafting of the President's February 18 memorandum. When OMB circulated this draft, the major procuring agencies could not concur in it because they held that the procedures and the patent rights clause in A-124 were inappropriate for large businesses. The reference to A-124 was therefore removed from the President's policy statement.

It is precisely this link between the President's policy statement and the provisions of A-124 that is now being advocated by the Department of Commerce. I cannot unilaterally direct the implementation of the Commerce Department position without a full opportunity for all to comment.

In accordance with OMB practice, the OFPP plans to publish a notice in the Federal Register that requests the official policy views of Federal agencies as well as industry before a determination is made on further policy direction to implement the President's memorandum.

Withholding Part 27 of the FAR was not a prudent option -- in fact Part 27 was sent to the Federal Register on May 17 and it appeared in Friday's Register. If, as a result of agency and industry comment on the Federal Register notice, OMB direction is required to modify agency implementing regulations, this can be accomplished right away. There is no reason why any necessary changes could not be achieved by the April 1, 1984 effective date of the FAR.

I appreciate your continued offer of assistance. Your evaluation of the comments received as a result of the Federal Register notice will be very helpful. My staff will continue to work closely with yours in its coordination of agency agreement on the most effective implementation of the President's memorandum.

Sincerely,

David A. Stockman
Director

"EYES ONLY"

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

MAY 16 1983

MEMORANDUM FOR David A. Stockman, Director
Office of Management and Budget

SUBJECT: Government Patent Policy and the Federal Acquisition Regulation (FAR)

Implementation of the President's February 18 memorandum permitting nearly all contractors to own inventions that result from Federal R&D funding is being frustrated by the patent attorneys of DOD, NASA, and DOE. These individuals have controlled the drafting of implementing regulations to the exclusion of all other interested agencies. The pending publication of the new Federal Acquisition Regulation (FAR) has brought this issue to a head.

We have tried to work with OFPP staff to avoid this situation, but without success. We belatedly were able to review FAR Part 27 (which deals with patents) through intervention by GSA. Our review makes clear that the situation is serious.

The President's memorandum directed agencies to extend, to the degree permitted by law, the same or substantially the same policies of invention ownership to all contractors that Pub. L. No. 96-517 provides to small businesses and nonprofit organizations. OMB Circular A-124 is the policy statement for implementation of the law, and Commerce is assigned lead agency responsibility for guiding its implementation.

Commerce requested the Presidential Memorandum in an attempt to redirect the drafting of Part 27. As of May 6, the provisions of Part 27, in the proposed new FAR, which apply to large and intermediate size businesses are so different from those applied to small businesses that there will be legitimate charges of unjustified discrimination. No attempt has been made to make all terms the same or substantially the same as those in OMB Circular A-124. Rather, Part 27 as drafted, perpetuates the adversarial and counter productive patent practices of some of the Federal agencies that the President's memorandum was intended to correct.

Incredibly, the clear ownership retained by contractors under the current practices of some agencies would be severely clouded by conditions included in the proposed FAR. Further, provisions applicable to small businesses and nonprofit organizations under OMB Circular A-124 have been adversely altered.

Just after the Presidential memorandum was signed, we provided OFPP with our recommendations for supplementing A-124 and correcting the FAR. After a period of inaction, by OFPP, Guy Fiske sent our proposals to Jqe Wright on April 7 (Attachment B). We are now told that OFPP is considering a Federal Register notice separate from the FAR publication requesting public comment on our proposals for supplementing A-124 and on the position taken by the DOD, NASA, and DOE patent attorneys. Since the FAR is intended to govern agency actions and contract terms after it is published, we do not believe the patent portion should be released until the policy issues are resolved.

I recommend that you take three actions:

1. Delete the patent portion of Part 27 before the FAR is published in the next few weeks.

2. Circulate to the Federal agencies the Commerce drafted supplement to A-124 for policy level review. This is designed to surface all legitimate reasons for treating large and intermediate size firms differently from small businesses and nonprofit organizations. Only by using A-124 as the base, can there be assurance that all contractors are treated as similarly as possible.

3. Sign the attached memorandum to the agencies confirming DoC's lead agency role (Attachment A). We can then do a proper job of serving OMB. In return, we will provide you with balanced evaluations of the comments on the draft A-124 supplement as well as evaluations of other proposed agency regulations relating to patents.

Please advise me of how we can be of help.

Signed

(acting) Gerald Mossinghoff
Secretary of Commerce

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPT. OF COMMERCE
OFFICE OF THE
SECRETARY
EXECUTIVE SECRETARIAT
MAY 23 3 23 PM '83

May 23, 1983

The Honorable Malcolm Baldrige
Secretary of Commerce
Washington, D.C. 20230

Dear Mac:

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The staff of the Office of Federal Procurement Policy (OFPP) has worked closely with Mr. Norm Latker and Mr. Thornton Parker of your staff on patent policy development and implementation. We are aware of the differences between the major procuring agencies and the Department of Commerce on this issue.

Because the three agencies referred to in your letter (DOD, NASA, and DOE) account for roughly 95% of the reportable inventions covered by the President's memorandum, we cannot ignore their views. Further, it is my understanding that both current DOD and GSA implementation and the proposed FAR Part 27 conform to the President's memorandum by clearly stating that the contractor has first right of refusal to acquire title.

The Department of Commerce assisted OFPP in the drafting of the President's February 18 memorandum. When OMB circulated this draft, the major procuring agencies could not concur in it because they held that the procedures and the patent rights clause in A-124 were inappropriate for large businesses. The reference to A-124 was therefore removed from the President's policy statement.

It is precisely this link between the President's policy statement and the provisions of A-124 that is now being advocated by the Department of Commerce. I cannot unilaterally direct the implementation of the Commerce Department position without a full opportunity for all to comment.

In accordance with OMB practice, the OFPP plans to publish a notice in the Federal Register that requests the official policy views of Federal agencies as well as industry before a determination is made on further policy direction to implement the President's memorandum.

Withholding Part 27 of the FAR was not a prudent option -- in fact Part 27 was sent to the Federal Register on May 17 and it appeared in Friday's Register. If, as a result of agency and industry comment on the Federal Register notice, OMB direction is required to modify agency implementing regulations, this can be accomplished right away. There is no reason why any necessary changes could not be achieved by the April 1, 1984 effective date of the FAR.

I appreciate your continued offer of assistance. Your evaluation of the comments received as a result of the Federal Register notice will be very helpful. My staff will continue to work closely with yours in its coordination of agency agreement on the most effective implementation of the President's memorandum.

Sincerely,

David A. Stockman
Director

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPT OF COMMERCE
OFFICE OF THE SECRETARY
MAY 23 3 23 PM '83

May 23, 1983

The Honorable Malcolm Baldrige
Secretary of Commerce
Washington, D.C. 20230

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I appreciate your continued offer of assistance. Your evaluation of the comments received as a result of the Federal Register notice will be very helpful. My staff will continue to work closely with yours in its coordination of agency agreement on the most effective implementation of the President's memorandum.

Sincerely,

David A. Stockman
Director

X-tras

OFFICE OF THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

RESEARCH AND
ENGINEERING

In reply refer to:
DAR Case 83-14

18 May 1983

SUBJECT: Revised Government Patent Policy

The enclosed Departmental Implementation Letter was issued by the Military Departments and by this office to the Defense Agencies under our cognizance. It is effective upon receipt by DoD field offices and will appear in a forthcoming Defense Acquisition Circular unless cancelled or superseded.

for JAMES T. BRANNAN
Director
Defense Acquisition
Regulatory Council

Enclosure

OFFICE OF THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

RESEARCH AND
ENGINEERING

27 April 1983

In reply refer to:
DAR Case 83-14

MEMORANDUM FOR THE DIRECTOR, NATIONAL SECURITY AGENCY
THE DIRECTOR, DEFENSE COMMUNICATIONS AGENCY
THE DIRECTOR, DEFENSE INTELLIGENCE AGENCY
THE DIRECTOR, DEFENSE NUCLEAR AGENCY
THE DIRECTOR, DEFENSE MAPPING AGENCY

SUBJECT: Revised Government Patent Policy

On 18 February 1983 the President signed a memorandum on Government Patent Policy. To expedite implementation of this revised policy, the DAR Council, at its meeting of 30 March 1983, directed Departmental distribution of the following revised instructions.

Effective upon receipt hereof as contemplated by DAR 1-106.2(d), and pending a revision of DAR Section IX, Part 7, the following instructions for selection and use of Patent Rights clauses in contracts with other than small business firms or nonprofit organizations having as a purpose the performance of experimental, developmental, or research work and for performance in the United States, its possessions, or Puerto Rico shall apply:

a. Except as is provided by b. below, all such contracts shall contain the Patent Rights clause at DAR 7-302.23(b).

b. The clause at DAR 7-302.23(a) may be used in such contracts:

(1) when for the operation of a Government-owned research or production facility;

(2) in exceptional circumstances when it is determined by the Secretary that restriction or elimination of the contractor's right to retain title will better promote the policy and objectives of the Presidential Patent Policy of February 18, 1983; or

(3) when it is determined by a Government authority which is authorized by statute or executive order to conduct foreign intelligence or counterintelligence activities that the restriction or elimination of the right to retain title is necessary to protect the security of such activities.

To the extent inconsistent with the foregoing, the procedures of DAR 9-701.3, including the requirements for use of a pre-solicitation patent rights documentation check list and DD Form 1564, Pre-award Patent Rights Documentation, shall be disregarded.

This instruction does not affect contracts for personal services (DAR 9-704).

Pursuant to the Subcontracts paragraphs of the Patent Rights clauses at DAR 7-302.23(a) and (b), Contracting Officers shall instruct prime contractors on new contracts to select Patent Rights clauses for inclusion in subcontracts consistent with the above direction.

JAMES T. BRANNAN
Director
Defense Acquisition
Regulatory Council

these categories of NSPS. I therefore delegated to the State of Mississippi my authority for the source categories listed above on March 25, 1983.

The Office of Management and Budget has exempted this delegation from the requirements of Section 3 of Executive Order 12291.

This notice is issued under the authority of Sections 101, 110, and 111 and of the Clean Air Act, as amended (42 U.S.C 7401, 7410, 7411, and 7601).

Dated: April 4, 1983.

John A. Little,

Acting Regional Administrator.

[FR Doc. 83-10071 Filed 4-14-83; 8:45 am]

BILLING CODE 6560-50-M

40 CFR Part 180

[PP 2E2653/R548; PH-FRL 2348-6]

Tolerances and Exemptions From Tolerances for Pesticide Chemicals in or on Raw Agricultural Commodities; Cyano(3-Phenoxyphenyl) Methyl 4-Chloro-Alpha-(1-Methylethyl) Benzeneacetate

AGENCY: Environmental Protection Agency (EPA).

ACTION: Final rule.

SUMMARY: This rule establishes tolerances for residues of the insecticide cyano(3-phenoxyphenyl)methyl 4-chloro-alpha-(1-methylethyl)benzeneacetate in or on the raw agricultural commodities eggplant and peppers. The regulation to establish maximum permissible levels for residues of the insecticide in or on the commodities was requested in a pefition by the Interregional Research Project No. 4 (IR-4).

EFFECTIVE DATE: April 15, 1983.

ADDRESS: Written objections may be submitted to the: Hearing Clerk (A-110), Environmental Protection Agency, Rm. 3708, 401 M St., SW., Washington, D.C. 20460.

FOR FURTHER INFORMATION CONTACT: Donald Stubbs, Emergency Response Section, Registration Division (TS-767C), Environmental Protection Agency, Rm. 716B, CM#2, 1921 Jefferson Davis Highway, Arlington, VA 22202; (703-557-1192).

SUPPLEMENTARY INFORMATION: EPA issued a proposed rule published in the Federal Register of March 16, 1983 (48 FR 11132) that announced that the Interregional Research Project No. 4 (IR-4), New Jersey Agricultural Experiment Station, P.O. Box 231, Rutgers University, New Brunswick, NJ 08903, had submitted pesticide petition number 2E2653 to EPA on behalf of the IR-4 Technical Committee and the Agricultural Experiment Stations of Florida, Massachusetts, Maryland, New Jersey and Puerto Rico.

This petition requested that the Administrator, pursuant to section 408(e) of the Federal Food, Drug, and Cosmetic Act, propose the establishment of tolerances for residues of the insecticide cyano(3-phenoxyphenyl)methyl 4-chloro-alpha-(1-methylethyl)benzeneacetate in or on the raw agricultural commodities eggplant and peppers at 1.0 ppm.

There were no comments or requests for referral to an advisory committee received in response to the proposed rule.

The data submitted in the petition and other relevant material have been evaluated and discussed in the proposed rule.

The pesticide is considered useful for the purpose for which the tolerances are sought. It is concluded that the tolerances would protect the public health and are established as set forth below.

Any person adversely affected by this regulation may within 30 days after publication of this notice in the Federal Register, file written objections with the Hearing Clerk, at the address given above. Such objections should specify the provisions of the regulation deemed objectionable and the grounds for the objections. If a hearing is requested, the objections must state the issues for the hearing and the grounds for the objections. A hearing will be granted if the objections are supported by grounds legally sufficient to justify the relief sought.

The Office of Management and Budget has exempted this rule from the requirements of section 3 of Executive Order 12291.

(Sec. 408(e), 68 Stat. 514 (21 U.S.C. 346(a)(e)))

List of Subjects in 40 CFR Part 180

Administrative practice and procedure, Agricultural commodities, Pesticides and pests.

Dated: April 6, 1983.

Edwin L. Johnson,

Director, Office of Pesticide Programs.

PART 180—[AMENDED]

Therefore, 40 CFR 180.379 is amended by adding and alphabetically inserting the raw agricultural commodities eggplant and peppers to read as follows:

§ 180.379 Cyano(3-phenoxyphenyl)methyl 4-chloro-alpha-(1-methylethyl) benzeneacetate; tolerances for residues.

* * * * *

Commodities	Parts per million
Eggplant	1.0
Peppers	1.0

[FR Doc. 83-10286 Filed 4-14-83; 8:45 am]

BILLING CODE 6560-50-M

GENERAL SERVICES ADMINISTRATION

41 CFR Ch. 1

[FPR Temp. Reg. 69]

Patents; Temporary Regulation

AGENCY: General Services Administration.

ACTION: Temporary regulation.

SUMMARY: This temporary regulation prescribes revised guidance regarding the rights of the Government and its contractors in patents under research and development contracts. The basis for this temporary regulation is President Reagan's February 18, 1983, Memorandum on Government Patent Policy. The intended effect is to extend in principle the current implementation of Public Law 96-517 beyond small businesses and non-profit organizations.

DATES:

Effective date: April 5, 1983, but may be observed earlier.

Expiration date: April 5, 1985.

FOR FURTHER INFORMATION CONTACT: Philip G. Read, Director, Office of Federal Procurement Regulations (VR), Office of Acquisition Policy, (202-523-4755).

SUPPLEMENTARY INFORMATION:

a. On Feoruary 18, 1983, President Reagan issued a Memorandum to the Heads of Executive Departments and Agencies that established a new Government Patent Policy. The new policy replaces the 1971 Presidential Patent Policy Statement that formed the basis for the patent rights clauses of the Federal Procurement Regulations (FPR) in section 1-9.107. Accordingly, interim instructions are necessary pending a full modification of FPR sections 1-9.107-1 through 1-9.107-6.

b. The primary thrust of President Reagan's Memorandum is that, to the extent permitted by law, agency patent policy concerning the disposition of rights to inventions made under federally funded research and development contracts, grants, and cooperative agreements shall be the

same or substantially the same as applied to small business firms and nonprofit organizations under Chapter 38 of Title 35 of the U.S. Code (Pub. L. 96–517). As a result, the new Patent Policy Memorandum provides recipients of Government contracts, grants, and cooperative agreements for the performance of research and development activities with a first option to retain title to inventions made under such arrangements, except in those situations provided for in 35 U.S.C. 202(a).

c. The Presidential Memorandum also provides that where an agency makes certain determinations, the rights of the Government or obligations of the recipient of the research and development contract, grant, or cooperative agreement, set forth in 35 U.S.C. 202–204, may be waived or omitted. These interim instructions do not specifically implement this provision of the Presidential Memorandum inasmuch as implementation should be undertaken through the normal FPR deviation procedures.

In 41 CFR Chapter 1, FPR Temporary Regulation is added to the Appendix at the end of the chapter.

(Sec. 205(c), 63 Stat. 390; (40 U.S.C. 486(c)))

Dated: April 5, 1983.

Ray Kline,

Acting Administrator of General Services.

Federal Procurement Regulations Temporary Regulation 69

April 5, 1983.

To: Heads of Federal Agencies

Subject: Patents

1. *Purpose.* This temporary regulation implements President Reagan's February 18, 1983, Memorandum on Government Patent Policy.

2. *Effective date.* This regulation is effective April 5, 1983, but may be observed earlier.

3. *Expiration date.* This regulation expires April 5, 1985.

4. *Background.*

a. On February 18, 1983, President Reagan issued a Memorandum to the Heads of Executive Departments and Agencies that established a new Government Patent Policy.[1] The new policy replaces the 1971 Presidential Patent Policy Statement that formed the basis for the patent rights clauses of the Federal Procurement Regulations (FPR) in section 1–9.107. Accordingly, interim instructions are necessary pending a full modification of FPR sections 1–9.107–1 through 1–9.107–6.

b. The primary thrust of President Regan's Memorandum is that, to the extent permitted by law, agency patent policy concerning the disposition of rights to inventions made under federally funded research and development contracts, grants, and cooperative agreements shall be the same or substantially the same as applied to small business firms and nonprofit organizations under Chapter 38 of Title 35 of the U.S. Code (P. L. 96–517). As a result, the new Patent Policy Memorandum provides recipients of Government contracts, grants, and cooperative agreements for the performance of research and development activities with a first option to retain title to inventions made under such arrangements, except in those situations provided for in 35 U.S.C. 202(a).

c. The Presidential Memorandum also provides that where an agency makes certain determinations, the rights of the Government or obligations of the recipient of the research and development contract, grant, or cooperative agreement, set forth in 35 U.S.C. 202–204, may be waived or omitted. These interim instructions do not specifically implement this provision of the Presidential Memorandum inasmuch as implementation should be undertaken through the normal FPR deviation procedures.

5. *Explanation of changes.* The policies and procedures in Subpart 1–9.1 are modified by the instructions in this temporary regulation.

a. The patent rights clause in contracts with small business firms and nonprofit organizations shall be in accordance with OMB Circular A–124.

b. Each contract with other than a small business firm or nonprofit organization that has as a purpose the performance of experimental, developmental, or research work, and is to be performed in the United States, its possessions, or Puerto Rico, shall contain the patent rights clause at FPR § 1–9.107–5(b) unless it is determined in accordance with paragraph c.(1) of this regulation that the patent rights clause of § 1–9.107–5(a) is appropriate, with both clauses modified in accordance with paragraph 5.(e) of this regulation.

c. (1) A contract, with other than a small business firm or nonprofit organization, may contain the patent rights clause at FPR § 1–9.107–5(a):

(a) when the contract is for the operation of a Government-owned research or production facility; or

(b) in exceptional circumstances when it is determined by the Agency that restriction or elimination of the contractor's right to retain title will better promote the policy and objectives of the Presidential Memorandum of Government Patent Policy of February 18, 1983; or

(c) when it is determined by a Government authority which is authorized by statute or Executive order to conduct foreign intelligence or counter-intelligence activities that the restriction or elimination of the contractor's right to retain title is necessary to protect the security of such activities.

(2) When it is determined in accordance with paragraph 7(a) of OMB Circular A–124 that alternative provisions are appropriate in a contract with a small business firm or nonprofit organization, the patent rights clause at FPR § 1–9.107–5(a) may be used in the contract.

d. For arrangements other than contracts, such as grants and cooperative agreements, with other than small business firms or nonprofit organizations, it is recommended that the patent rights clause of OMB Circular A–124 or FPR § 1–9.107–5(b), as appropriate, be used in cooperative agreements.

e. In using the clause at either FPR § 1–9.107–5(b) or § 1–9.107–5(a), the following modifications are to be made:

(1) To ensure proper flow-down of the applicable patent rights clause, subparagraph (i)(2) should be rewritten as follows:

"(2) Unless otherwise authorized or directed by the Government Contracting Officer in any subcontract hereunder where a purpose of the subcontract is the conduct of experimental, developmental, or research work, the Contractor shall include this patent rights clause modified to identify the parties in a subcontract with other than a small business firm or nonprofit organization; or the patent rights clause of OMB Circular A–124 modified to identify the parties in any subcontract with a small business firm or nonprofit organization. In event of refusal by a subcontractor to accept the proffered clause, the Contractor:"

(2) The following should be substituted for subparagraph (c)(i):

"(1) Hereby grants to the Government a nonexclusive, nontransferrable, paid-up license to make, use, and sell each subject invention throughout the world by or on behalf of the Government of the United States:"

6. *Comments invited.* Agencies and interested parties are invited to comment on this regulation during the 30 day period following publication in the Federal Register. Consideration will be given to the comments in the preparation of a permanent amendment of the FPR. Comments should be forwarded to Philip G. Read, General Services Administration (VR), Washington, D.C. 20405.

February 10, 1982.

Circular No. A–124

Note.—OMB Circular A–124 was originally published in the Federal Register of February 19, 1982 at 47 FR 75560.

To the Heads of Executive Departments and Establishments

Subject: Patents—Small Business Firms and Nonprofit Organizations

1. *Purpose.* This Circular provides policies, procedures, and guidelines with respect to inventions made by small business firms and nonprofit organizations, including universities, under funding agreements with Federal agencies where a purpose is to perform experimental, developmental, or research work.

2. *Rescissions.* This Circular supersedes OMB Bulletin 81–22 effective March 1, 1982.

3. *Authority.* This Circular is issued pursuant to the authority contained in 35 U.S.C. § 206 (§ 6 of P.L. 96–517, "The Patent and Trademark Amendments of 1980").

4. *Background.* After many years of public debate on means to enhance the utilization of the results of Government funded research, Public Law 96–517 was enacted. This Act gives non-profit organizations and small businesses, with limited exceptions, a first right of refusal to title in inventions they have made in performance of Government grants and contracts. The Act takes precedence over

[1] See the weekly compilation of Presidential Documents, Vol. 19, No. 7, p. 252.

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Productivity,
Technology and Innovation
Washington, D.C. 20230
(202) 377-1984

MAY 16 1983

Mr. Allan Beres
Assistant Administrator for
Acquisition Policy
General Services Administration
Washington, D.C. 20405

Dear Mr. Beres:

On April 5, GSA issued Federal Procurement Regulations Temporary Regulation 69, to implement President Reagan's February 18 Memorandum on Government Patent Policy. The Memorandum directed agencies to extend, to the degree permitted by law, the same or substantially the same policies of invention ownership to all contractors that Pub. L. 96-517 provides to small businesses and nonprofit organizations.

OMB Circular A-124 is the policy statement for implementing Pub. L. 96-517. Thus, the President's statement requires agencies to extend the same, or substantially the same standard patent clause specified in A-124 to all contractors.

Unfortunately, Temporary Regulation 69 does not mention this clause or allow agencies to use it. Rather, it requires agencies to use an old clause with provisions the President's memorandum was intended to discontinue. The old clause requires contractors to report inventions and make ownership elections within six months after conception. This is in direct contradiction of Pub. L. 96-517. The Senate report on the Act states:

> "The committee is concerned that standard Federal Procurement Regulations and Defense Acquisition Regulations provisions may force premature decisions, and may literally require the reporting of inventions within times that are not consistent with normal operational practices and capabilities. For example, current requirements to report invention, within six months after they are 'made' could lead to forfeiture of rights in numerous inventions if literally applied. Many inventions are not actually recognized as useful inventions for long periods after their technical 'conception'."

There are other major features of the clause required by the Temporary Regulation that are directly counter to the policies the President endorsed. I strongly request that you either:

1. Rescind Temporary Regulation 69 and work with Commerce and the other agencies bound by the Federal Procurement Regulations to create a suitable replacement, or

2. Amend the Temporary Regulation to at least allow use of a clause based on the one provided in A-124.

My preference, of course, is for the first. If you accept it, the needs of agencies involved should not be dominated by Defense, Energy, and NASA--agencies that have their own policies and statutes that relate to patent ownership.

We need prompt action. The Secretary of Commerce has already instructed Departmental units to use a single standard clause, based on A-124, in all R&D funding actions. NSF has done the same, and other agencies are taking similar actions. Allowing the Temporary Regulation to remain as it is will create an embarrassment to the Administration.

Sincerely,

D. Bruce Merrifield

COGR
an organization of research universities

COUNCIL ON GOVERNMENTAL RELATIONS
Eleven Dupont Circle, N.W., Suite 480
Washington, D.C. 20036
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July 18, 1983

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Mr. Lawrence J. Rizzi
Director, GSA FAR Project
FAR Project Office
4040 North Fairfax Drive, Suite 700
Webb Building
Arlington, Virginia 22203

Reference: FAR Part 27

Dear Mr. Rizzi:

This letter provides comments on the proposed Federal Acquisition Regulations dealing with Patents, Data and Copyrights. The principal concern of the university community with the proposed rules on rights in data is a shift away from university control and title, toward government control and title. Thus, a major and basic government policy change is being proposed.

Currently there is a presumption of university control and title to data (including computer programs) developed under a federal contract, with the Government having a non-exclusive paid up license to use such data for governmental purposes, whether copyrighted or not. The policy inherent in proposed Subpart 27.4 is a presumption of control and title to data in the government, with the university having general permission to use data for other research, but only after completion of the contract (except for limited scientific publication) and with no inherent right to continue to use computer programs in any way. Permission for such use must be obtained on a case-by-case basis; it is not assured. This proposed shift is not in the public interest, since it will impede innovation and technology transfer.

The Council on Governmental Relations (COGR), which counts among its members 124 leading research universities, characterizes the draft regulations as:

1. Attempting to set new federal contract policy with respect to rights in data by: (a) restricting the use and release of research data by university scientists and (b) shifting to the government title to computer programs arising under a contract. (Subpart 27.4 and clauses)

2. Being materially inconsistent with P.L. 96-517, "Patent and Trademark Amendments Act of 1980," and OMB Circular A-124. (Subpart 27.3, §27.302 and clauses)

3. Being contrary to and not implementing the President's Patent Policy of February 18, 1983 by setting forth a number of alternative government-wide patent policies. (Subpart 27.3)

On the first point, several sections of the FAR contain provisions which impose restrictions on the use of data developed under federally supported contracts. (See the technical analysis of §27.4 and §52.227-18, in Attachment 1 to this letter.) None of the contract clauses offered are consistent with scholarly activity. They will impede the progress of science and innovation if used in contracts with universities.

University investigators, teachers, and students must be free to interact with each other, to publish research findings in an unencumbered manner and to otherwise freely interact with other scholars, the general public and government officials. Essentially, they must interact as both researchers, working under government contract on state-of-the-art science, and, at the same time, as teachers disseminating new knowledge. The proposed constraints are not consistent with the basic nature of any university. Under the rules proposed at 52.217-18(d), a graduate student, who develops a thesis under a federally funded contract, could not present that thesis until either the contract is completed or the approval of the government contracting officer has been obtained.

The restrictions proposed are also contrary to existing Freedom of Information Act disclosure requirements. Essentially, we are being asked to withhold data that is releasable under FOIA.

With respect to our second point, the proposed regulations use language that initially was rejected by the Congress when it passed P.L. 96-517; it was again rejected by OMB in the implementing patent regulations in Circular A-124. For example, prior review by agency officials of proposed publications was specifically rejected.

Examples of inconsistency with Circular A-124 are spread throughout all of §27.302, as detailed in the analysis, at Attachment 2. Further, in §27.303-6 universities as contractors are asked to "cooperate in deferring the publication or release of invention disclosures...". This is inconsistent with the provisions of Circular A-124 and with the reality of academic life. Educational institutions seek to preserve patent rights whenever possible, but a scientist's right and need to promptly publish research findings are inherent in professional and public responsibility. If the integrity of P.L. 96-517 and Circular A-124 is to be upheld and if the publication rights of university faculty are to be respected and protected, paragraphs (b) and (c) of §27.303-6 must conform to OMB Circular A-124, Part 9.

Our third point addresses the numerous and varying patent policies that will be established by the proposed rules, if finalized as now proposed . There is Circular A-124 for small business and university grants - although Circular A-124 is intended to address patent policies in all funding agreements including contracts. There will be the FAR provisions for university and small business contracts. There will be different FAR provisions for contractors other than university or small business. And still other policies where agencies implement the President's Patent Policy of February 18, 1983 for agreements other than contracts. There is also the very real probability that some or all of these policies will be misapplied to universities through inadvertance or ignorance of intent.

We believe a major restructuring of these proposed regulations is essential. Even with the specific changes we have requested, we believe the proposed rules will be difficult to use in practice. They are not clear and concise, but convoluted and inherently ambiguous. During our analysis, experts in patent and copyright matters did not always agree on what was intended, nor could they readily identify the relevant language on particular points.

With major restructuring and the adoption of our specific requests, the proposed regulations would be acceptable. Our specific requests follow. Attachment 1 contains comments on Rights in Data and Copyrights. Attachment 2 contains comments on Patents.

Sincerely,

Milton Goldberg

Attachments

SUBPART 27.4 - RIGHTS IN DATA AND COPYRIGHTS

FAR Subpart 27.4, Rights in Data and Copyrights, is a shift away from university control and title, toward government control and title.

(1) Whereas the DOD policy as expressed in DAR 9-202.2(a) is "to acquire only such technical data rights as are essential to meet Government needs," the proposed "procedure" in FAR 27.403(a) on page 85 is that the government will acquire with unlimited rights, most "contract data" and "such other data as may be specified" by the proposed new basic data clause at FAR 52.227-18, beginning on page 243, even if such data is neither delivered nor ordered under the contract.

(2) Further, whereas DAR 9-202.2(b) limits the concept of "unlimited rights technical data" to discrete categories including that which was "specified as an element of performance" or which was "prepared or required to be delivered", the proposed definition of "contract data" in FAR 27.401 on page 81, of §52.227-18(a) on page 243, and elsewhere, is all-inclusive.

(3) Also, whereas the DOD definition of "Limited Rights" in DAR 9-201(c), as implemented by (a)(8) of the basic data clause at DAR 7-104.9(a), expressly limits the right of the government to the use of technical data by specifying that it will not release or disclose it except under two circumstances, the proposed basic data clause in FAR 52.227-18 would have the opposite effect. Among other things, paragraph (b)(1) on page 246 could give the government (ii) unlimited rights in most contract data and the right to control (iii) copyright in new data and (iv) ownership and control over the release and use of computer software. Although subparagraph (b)(2)(vii) states that the contractor could assert copyright in new data, paragraph (c)(1) on page 249 would have the contractor agree not to do so without the prior written permission of the contracting officer. Similarly, although subparagraph (b)(2)(iv) would allow the contractor to utilize new data, paragraph (d)(1) on page 250 says that he cannot do so until after all delivery requirements have been met, and paragraph (d)(2)(ii) would prohibit the publication or use of new computer software in further research.

To resolve these problems, we recommend that:

(1) The definitions proposed in FAR 27.401 on page 81 and prescribed for use in various clauses in the proposed FAR Subpart 52.227 be modified to conform with definitions currently prescribed in the Defense Acquisition Regulation and in Clause 15 of the Department of Health and Human Services Procurement Regulation at 41 CFR 3-16.950-315;

(2) The statement of policy proposed at FAR 27.402 on page 83 be modified to prescribe that contractors which are universities or

colleges are encouraged to publish and distribute the results of unclassified research conducted under contracts, with appropriate acknowledgements of federal support, and unless otherwise provided in the contract, to copyright any materials developed in the course of the contract;

(3) In lieu of the Rights in Data clause proposed at FAR 52.227-18, beginning on page 243, there be substituted for contracts for research at universities or colleges, two new clauses: (a) a revised Rights in Data clause adapted from Clause 15 at HHS PR 3-16.950-315 and (b) a new publications clause adapted from DOD Basic Agreement No. 00014-79H, approved by the Defense Acquisition Regulatory Council on January 5, 1983 to be included also in DAR 7-2203.3, and from Clause 19 at HHS PR 3-16.950-315. Recommended language is:

a. "RIGHTS IN DATA IN CONTRACTS WITH UNIVERSITIES

"(a) Subject Data. As used in this clause, the term "Subject Data" means writings, sound recordings, pictorial reproductions, drawings, designs, or other graphic representations, procedural manuals, forms, diagrams, workflow charts, equipment descriptions, data files, and data processing or computer programs, and works of any similar nature (whether or not copyrighted or copyrightable) which are specified to be delivered under this contract. The term does not include financial reports, cost analyses, and similar information incidental to contract administration. Title to Subject Data, and any copyrights obtained thereon, shall reside in the contractor.

"(b) Government Rights. Subject only to the proviso of (c) below, the government may use or duplicate, for governmental purposes, all Subject Data delivered under this contract.

"(c) License to Copyrighted Data. In addition to the government rights as provided in (b) above, with respect to any Subject Data which may be copyrighted, the Contractor agrees to and does hereby grant to the government a royalty-free, nonexclusive and irrevocable license throughout the world to use, duplicate or dispose of such data in any manner for governmental purposes, and to have or permit others to do so for governmental purposes, provided, however, that such license shall be only to the extent that the contractor now has, or prior to completion or final settlement of this contract may acquire, the right to grant such license without becoming liable to pay compensation to others solely because of such grant.

"(d) Relation to Patents. Nothing contained in this clause shall imply a license to the government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the government under any patent.

"(e) Marking and Identification. The contractor shall mark all Subject Data with the number of this contract and the name and

address of the contractor or subcontractor who generated the data. The contractor shall not affix any restrictive markings upon any Subject Data, and if such markings are affixed, the government shall have the right at any time to modify, remove, obliterate, or ignore any such markings.

"(f) Subcontractor Data. Whenever any Subject Data is to be obtained from a subcontractor under this contract, the contractor shall use this same clause in the subcontract, without alteration, and no other clause shall be used to enlarge or diminish the government's rights in that subcontractor Subject Data.

"(g) Deferred Ordering and Delivery of Data. The government shall have the right to order, at any time during the performance of this contract, or within 2 years from either acceptance of all items (other than data) to be delivered under this contract or termination of this contract, whichever is later, any Subject Data and any data not called for in the schedule of this contract, but generated in performance of the contract, and the contractor shall promptly prepare and deliver such data as is ordered. If the principal investigator is no longer associated with the contractor, the contractor shall exercise its best efforts to prepre and deliver such data as is ordered. The government's right to use data delivered pursuant to this paragraph (g) shall be the same as the rights in Subject Data as provided in (b) above.

The contractor shall be relieved of the obligation to furnish data pertaining to an item obtained from a subcontractor upon the expiration of 2 years from the date he accepted such items. When data, other than Subject Data, is delivered pursuant to this paragraph (g), payment shall be made by equitable adjustment or otherwise, for converting the data into the prescribed form, reproducing it or preparing it for delivery." and

b. "PUBLICATION AND PUBLICITY

"(a) Publication of results of the research project in appropriate professional journals is encouraged as an important method of recording and reporting scientific information. One copy of each paper planned for publication will be submitted to the Scientific Program Officer simultaneously with its submission for publication. Following publication, copies of published papers shall be submitted to the Scientific Program Officer, or to the other addresses in quantities as may be directed by the Contracting Officer.

"(b) The contractor shall acknowledge the support of the government whenever publicizing the work under this contract in any media. To effectuate the foregoing, the contractor shall include in any publication resulting from work performed under this contract an acknowledgement substantially as follows:

"This project has been funded at least in part with Federal funds from the Department of _____ under contract

number _____. The contents of this publication do not necessarily reflect the views or policies of the Department of _____, nor does mention of trade names, commercial products or organizations imply endorsement by the U.S. Government."

SUBPARTS 27.1 - GENERAL AND 27.3 PATENT RIGHTS

P. L. 96-517 and OMB Circular A-124, including its attached standard patent rights clause, have clearly established the terms and provisions which attach to the disposition of rights to invention made with federal funds by universities, other nonprofit organizations, and small business.

The proposed FAR provisions in Part 27 and the Clause at 52.227-13 are in numerous respects at least inconsistent with the provisions of P. L. 96-517 and OMB Circular A-124 and in some cases directly in conflict with them. The drafters seem to have ignored the fact that OMB Bulletin 81-22 of July 1, 1981, on which the cited DAR provisions are based, was superseded on March 1, 1982 by OMB Circular A-124, on which FPR Temporary Regulation 69 and the patent regulations of most departments and agencies are based.

To correct these inconsistencies and conflicts, we recommend the changes which follow. For ease of reference they are arranged by page and section of the proposed FAR; suggested deletions are bracketed, while suggested additions are underlined.

SUBPART 27.1 GENERAL

Page	Section	Heading
9	27.101	Applicability
		At the end of the first sentence, insert "but only to the extent they are not inconsistent with law or regulations promulgated specifically in response to such law, executive orders, treaties or international agreements."
11	27.104	General Guidance
		For consistency with the current policies of most departments and agencies which provide substantial contract support to universities for unclassified research, to assist in maintaining our scientific and technological base, and for consistency with the major recommendation of Attachment 1, we strongly recommend additional general guidance, substantially as follows: "(j) The Government encourages prompt publication and other public dissemination of the results of unclassified research funded by the Government."

SUBPART 27.3 PATENT RIGHTS UNDER GOVERNMENT CONTRACTS

Page	Section	Heading
52	27.302-1	Definitions

The definition of "nonprofit organization" does not agree with that in P.L. 96-517 or OMB Circular A-124. Remove the word "domestic" as found in two places in line 2 of this definition.

53	27.302-3	Authority

This section ignores the fact that P. L. 96-517 also required the Office of Federal Procurement Policy to issue implementing regulations. The resultant OMB Circular A-124, which took effect on March 1, 1982, is "applicable to all funding agreements with small business firms and domestic nonprofit organizations executed on or after that date." It should be cited. Further, the word "distribution" in the second line is inappropriate. Recommend that the subsection be revised to read substantially as follows:

" P.L. 96-517 (35 USC 200 et. seq.), December 12, 1980 governs the [distribution] disposition of rights in inventions made by small business firms and nonprofit organizations under funding agreements with the Government while OMB Circular A-124 established permanent implementing regulations and a standard patent rights clause."

53/ 54	27.302-4	Contract Clause

(a) The word "unless" in the last line of paragraph (a) connotes more of an absolute meaning than the language of the Law which states that a funding agreement "may provide otherwise." The Law expressly gives the funding agency discretionary authority to use the patent rights clause even if the contract involves a government-owned research or product facility. The term "unless" conveys the meaning that an agency has no discretionary authority in this regard, which is not the case. There is no basis for this change, and it is not even consistent with the counterpart section 27.301-2for other types of contractors. This paragraph should be changed to read substantially as follows:

"(a) The contracting officer...research work, [unless] except that the contract may contain alternative provisions--

(1) When the contract is...
(2) In [There are] exceptional circumstances...
(3) When it is determined by a government authority...activities [determines] that the...".

(b) Paragraph (b) does not contain the Circular A-124 requirement for assistance to the Comptroller General. Paragraph 7.b.(2) of OMB Circular A-124 should be added to the end of 27.302-4(b)(2).

(c) The requirement that, to qualify for the P. L. 96-517 patent rights, an organization "must state in writing that it qualifies as a small business..." are absolute and inconsistent with the Circular. Part 7.d. of the Circular provides that a prospective contractor "may be required" to certify... FAR 27.302-4(c) should be changed to read: "To qualify...organization [must state in writing] may be required to certify that it...".

(d) The instructions concerning sublicensing foreign governments or international organizations and the use of the Alternate I clause on page 224 seem inconsistent with the guidance prescribed by OMB. To remedy this defect, 27.302-4(e) should incorporate the instructions in Part 8.d. of OMB Circular A-124.

(e) The instructions as to when use of the P.L. 96-517 clause is not appropriate do not fully express the intent of the Law or the Circular. The phrase "absent a contrary opinion of the Comptroller General" should be added in the second line after the word "appropriate." The language should be further expanded to include the provision of Section 202(b)(2) of the Law on contrary agency determinations. Otherwise, the implication is that the decision of the agency head is absolute and not subject to review by higher authority.

55/ 27.302-5
60 Procedures

55 (a) Minimum Rights to Contractor
The word "revocable" in line 3 is inconsistent with the language of the provision in the Patent Rights Clause published in the Circular. Paragraph (2) appropriately provides for revocation as circumstances may warrant. Delete the word

"revocable" from the first sentence of 27.302-5(a)(1).

56 27.302-5 (b) Reporting of Subject Inventions and Subcontracts

(1) Part 8.e.(3) of OMB Circular A-124 only requires notification of subcontracts. Change 27.302-5(b)(1) to read as follows: "The...contractor to [furnish a copy] provide notification of each subcontract...".

(2) Change 27.302-5(b)(2) to conform to Part 8.e.(3) of OMB Circular A-124 as follows: "The contractor shall submit...invention reports no more frequently than annually...".

(3) The instructions in subparagraph (3) and the clause at 52.227-13(c)(1)(vi) may require a contractor to provide a copy of the patent application in every country where filed, including an English translation. If abused, this could be a burden. The instructions and the clause on page 217 should be conformeed to Circular A-124.

(4) 27.302-5(b)(4) would require the contractor in every case to provide the government with a power to inspect the U.S. patent application. Traditionally, the contractor has agreed to provide a power to inspect only upon request. To remedy this problem, change the proposed clause to conform to OMB Circular A-124 by deleting the present wording and substituting that contained in paragraph f(1) of the standard patent rights clause in Attachment A, Circular A-124.

(5) There are three inconsistencies between the Circular and this proposed paragraph:

(1) No restriction on the frequency of potential reporting requirements;

(2) Omission of the requirement for such reports to be subject to Department of Commerce instructions; and

(3) No provision for the protection of privileged information.

To remedy these deficiencies, recommend that 27.302-5 be revised substantially as follows:

(1) insert the words "no more frequently than annually" following the phrase "submit periodic reports";

(2) Add an additional sentence: "Pending instructions from the Department of Commerce on the format of such reports, the agency should not impose these reporting requirements." and

(3) Insert the substance of paragraph 10b of OMB Circular A-124 concerning agency treatment of privileged information, together with a reference to the FAR counterpart of the prohibitions against pirating proposal information contained in FPR 1-4.911, as modified by FPR Amendment 230 (48 FR 16265, April 15, 1983).

57/
58 27.302.5 (e) Exercise of March-in Rights

(1) For consistency with Circular A-124, Part 13, proposed subparagraph (1) should refer only to subparagraphs (2) through (3), which concern notification to the contractor; subparagraph (8) pertains to notification to inventors. When rights are waived to an inventor, it becomes the responsibility of the agency to set forth the conditions of waiver and to provide appropriate notice to the inventor. The contractor does not have the authority to waive rights to inventors. There is no provision in the law requiring contractors to remain responsible for inventors' meeting government obligations after rights have been waived to them.

(2) Circular A-124 provides for alternate procedures, i.e., Contract Disputes Act. To be consistent with Circular A-124 the phrase ", except as provided in subparagraph (9) below." should be added at the end of the paragraph (2).

61 27.302-6 Licensing Background Patent Rights to Third Parties

This section is inconsistent with 35 USC 202(f)(1) which states that "The head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph." Paragraphs (a) and (b), however, use the terminology "agency head or a designee." This is also inconsistent with Part 15 of Circular A-124.

62/
66 Administration of Patent Rights Clauses

62 27.303-1 Patent Rights Following

For consistency with Part 16 of Circular A-124, three changes should be made:

(c) Should be qualified so that it reads: "When appropriate, patent applications are timely filed...".; and

(d) should provide for the documentation of all rights, not just those of the government. It should be conformed to subparagraph 16.a.(4) of Circular A-124.

In addition, there needs to be incorporated in a new subparagraph (f), or in some other appropriate place, the provisions of paragraph 16.c. of OMB Circular A-124 regarding consolidation of agency administration when two or more sponsors are involved.

62 27.303-2 Followup by Contractor

(b) Contractor Reports

Contractors would be required to submit all reports to the contracting officer or other representative and agencies could in their implementing instructions, provide and/or require use of specified forms for such reporting. This language should be conformed to the requirements of OMB Circular A-124 and to the clearance requirements of the Paperwork Reduction Act of 1980 (P.L. 96-511) and the implementing OMB regulations at 5 CFR Part 1320 (48 FR 13660, et. seq., March 31, 1983.)

63/
64 27.303-3 Followup by Government

This entire section should be deleted since the extensive activities suggested would hardly be cost effective. The proposed procedures are tantamount to an invitation to amass a large bureaucratic staff with the potential for harrassment of contractors. The excessive demands for followup activities would adversely affect contractor performance and unnecessarily increase the paperwork burden.

64 27.303-4 Remedies

This proposed section is completely one sided. On the one hand, it would overly protect the government

by authorizing withholding of payments. P.L. 96-517 and OMB Circular A-124 do not authorize or include withholding provisions. Since most contracts normally include a provision for partial withholdings, it is not clear why a separate withholding provision is needed just to cover obligations under the patent clause. A recent NASA BCA case has held that such provisions are unenforceable penalty provisions.

On the other hand, it fails to incorporate the appeals procedures prescribed by Part 14 of OMB Circular A-124.

To remedy these deficiencies, recommend two basic changes to this section:

(1) Delete the proposed language concerning withholding or payments; and

(2) Insert a separate section containing the appeals procedures of Part 14 of Circular A-124.

67 27.303-6 Publication or Release of Invention Disclosures

(a) The only portion of the proposed provision that is fully consistent with OMB Circular A-124 and the intent of the law is the direct quote from 35 USC Section 205, indicating that (1) agencies are authorized to withhold from disclosure to the public information disclosing any invention for a reasonable time to permit the filing of a patent application, and (2) eliminating any requirement to release copies of any document which is a part of an application for United States or foreign patent. There is no requirement in the law or in Circular A-124 for the contractor to restrict the rights of researchers to publish the results of their research whenever it is appropriate for them to do so. On the contrary, as is emphasized in Attachment 1 to this letter, the procurement regulations of many departments and agencies which contract for scientific research, and the grant regulations of most of them, provide positive encouragement to scientists to publish the results of their work.

(b) Insofar as the withholding of disclosure of inventions from the public is concerned, the proposed language provides that the government "may withhold," whereas the Circular language states that "To the extent authorized by 35 USC Section 205, agencies shall not disclose to third parties," and this includes requests under the Freedom of

Information Act, for a reasonable time in order for a patent application to be filed.

(c) The proposed language provides that "The Government will also use reasonable efforts to withhold from disclosure to the public for a reasonable time other information disclosing a reported invention included in any data delivered pursuant to contract requirements." This language is contrary to Circular A-124 language which provides in paragraph 9 d. that "In recognition of the fact that such publication [by the Government], if it included descriptions of a subject invention, could create bars to obtaining patent protection, it is the policy of the executive branch that agencies will not include in such publication programs, copies of disclosures of inventions submitted by small business firms or nonprofit organizations, pursuant to paragraph c [of the OMB Clause]."

(d) If the integrity of the law and Circular A-124 implementing regulations is to be upheld and if the publication rights of university faculty are to be respected and protected, paragraphs (b) and (c), as proposed, should be deleted in their entirety and the language of Part 9 of the Circular be substituted in its entirety, limiting changes to grammatical corrections only.

215/
224 52.227-13 Patent Rights - Small Business Firm or Nonprofit Organization

216 (b) Allocation of Principal Rights

Paragraph (b) of FAR clause 52.227-13 has been expanded beyond the comparable paragraph b of the clause prescribed by Attachment A to OMB Circular A-124 and should be conformed to the latter.

216 (c) Invention Disclosures, Election of Title, etc.

The proposed paragraph (c) also has extensively revised the standard clause prescribed by Circular A-124. It should either reproduce the standard clause verbatim, or, if the fragmentation is necessary, be made consistent with it.

219/
220 (f) Contractor Action to Protect the Government's Interest

Subparagraph (5) on page 220 has a positive requirement for all contractors to furnish to all agencies certain reports at specific periods. There is no such requirement in the counterpart clause prescribed by Circular A-124. On the contrary, Part 8 of the Circular itself provides individual agencies with the option of adding such reporting requirements as they may need, with appropriate safeguards to minimize the paperwork burden. The FAR should do likewise.

221 52.227-13 (g) Subcontracts

The four subparagraphs proposed to be incorporated into the FAR Subcontracts clause are considerably different from the three subparagraphs contained in paragraph g of the standard clause prescribed by OMB Circular A-124. Among other things:

(1) Proposed subparagraph (1) is unnecessary and redundant of proposed subparagraph (2).

(2) Proposed subparagraph (g)(4) would require the contractor to provide notifications which are not required by the standard clause; it is an expansion of provisions which paragraph 8(e)(3) of the basic Circular authorizes agencies to include, if desired.

(3) The proposed clause omits entirely standard subparagraph 8(3) concerning the mutual obligations of the parties.

The proposed paragraph should be replaced in its entirety by standard paragraph g.

223 (k) Special Provisions for Contracts with Nonprofit Organizations

Proposed subparagraph (3) would require the contractor to share any royalties. The word "any" was officially removed from the standard clause in the Circular and should not be included in this clause or in any regulations.

224 (l) Reports

(1) This paragraph would allow individual agencies to specify all reporting forms. This is not authorized by Circular A-124, which specifically

allows contractors to use their own formats for invention reports (Attachment A, Circular A-124 (f)(2)) and requires use of forms to be developed by the Department of Commerce for invention use reports.

It was not and is not intended that the government prescribe forms on which reports are to be made; to require that contractors convert their own internal reports to government-generated forms would slow down and make more difficult the submission of timely reports. Change 52.227-13(l) to read substantially as follows:

> "(l) Reports: Reports required by this clause may be submitted by the contractor and subcontractor as prescribed by Circular A-124 or as developed by the Department of Commerce under the authority of Circular A-124."

U.S. DEPARTMENT OF COMMERCE
Office of Strategic Resources

April 26, 1983

To: Dr. Jerry Smith
Technical Director

From: Norm Latker NR
Director, Federal Technology Policy

I think it might be to our mutual benefit to discuss the attached further. I will call in the next few days.

Attachment

6965
5/18

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Productivity,
Technology and Innovation
Washington, D.C. 20230
(202) 377-1984

MEMORANDUM FOR: Jim Tozzi

From: Norman Latker

Subject: April 7, 1983 Meeting on Implementation of the President's February 18 Memorandum

The major issue of the April 7 meeting involved the time that a contractor must report an invention to the Government. DOD said they want to preserve their thirty year old rule that inventions must be reported within six months after conception. We don't think this is consistent with either the letter or the intent of the President's memorandum.

You agreed that it would result in forced reporting of concepts by contractors before the utility of ideas has been determined. We believe these kinds of reports are the feedstock for unnecessary patent applications filed by a few agencies. During FY 1970-76, DOD filed on 32 percent of these kinds of cases. This sort of filing contributed to a DOD portfolio of 17632 patents, of which only 1.6 percent had been licensed by 1976. In contrast, major universities, operating under A-124, are reported to be licensing 40 percent of their portfolios.

DOD contends that this kind of reporting and filing cuts off claims against the Government. The only true measure of avoided claims is the number of competing applications for an invention handled by the Patent Office. We understand the Patent Office data indicates that Federal agencies are involved in a miniscular number of such competitions.

DOD indicates they do not intend to use a forfeiture provision. We believe that a forfeiture provision is required by the President's statement as it is included in Pub. L. 96-517. Without it, a firm need not report an invention to protect its ownership, and the reporting requirement will not work as intended to protect the Government's interest unless other penalties are imposed. If some other penalty is imposed in conjunction with the six month rule, it will be used for the ridiculous purpose of prematurely collecting information about unevaluated ideas.

The method of enforcement that DOD would continue, involves investigation of contractors' records including lab notebooks,

and withholding payments. In principle, we can not disagree with this in cases where there is clear reason to suspect nonperformance. But we do not believe that such an adversarial technique should be used as a normal way of doing business. A principle of A-124 is to provide incentives to cause actions, rather than provide for audit-like investigations and the accompanying conflicts with the contractors whom we are trying to encourage to bring new inventions into the marketplace.

I did not want to make an issue of A-124 implementation at the meeting, but GAO is completing a survey of agency compliance, and has found that some components of DOD, particularly Navy, have not implemented the Circular. At least one university is considering legal action against the Navy on this issue.

We understand that most of the civil agencies other than NASA and Energy accept A-124 as the starting point for implementing the President's memorandum. They do not want unnecessary reporting to overburden their modest staffs, and they do not want avoidable disputes with their contractors.

Our basic objective is to allow firms to treat inventions developed with Government funding just as they would treat inventions they have funded. This means clear title and no hassles. The university experience has already shown that this approach is most likely to lead to commercial use.

One last point--DOD insists that the President's memo does not require the use of the clause from A-124 but only adherence to P.L. 96-517. This gives them the authority, so they say, to use the six month from conception test for reporting. They have failed to take into consideration the legislative history for P.L. 96-517 found on page 27 of Senate Report 96-480.

> "The committee is concerned that standard Federal Procurement Regulations and Defense Acqusition Regulations provisions may force premature decisions, and may literally require the reporting of inventions within times that are not consistent with normal operational practices and capabilities. For example, current requirements to report inventions, within six months after they are 'made' could lead to forfeiture of rights in numerous inventions if literally applied. Many inventions are not actually recognized as useful inventions for long periods after their technical 'conception'."

GPLA/BNA Conference 3/24/83

FUTURE DEVELOPMENTS IN FEDERAL PATENT POLICY

James E. Denny*

I. Introduction

The last two years have been very active for the issues regarding Government patent policy. Late in the 96th Congress, P.L. 96-517 was passed establishing a Government-wide patent policy for small businesses and nonprofit organizations (Bayh-Dole Bill), and this legislation was implemented through the issuance of OMB Circular A-124 and individual Government agency regulation. Also, the House, Senate, and the Executive Branch considered the bills introduced by Senator Schmidt (S. 1657) and by Congressman Ertel (H.R. 4564) which would have established patent policies normally allowing the contractor to retain title to inventions made under Government contract. There was also considerable effort in trying to develop a patent section for the Federal Acquisition Regulation (FAR) amid this legislative activity, as well as during a time when a new Presidential patent policy was in the midst of formulation. Work was also in process in trying to develop, for the first time, a policy on the acquisition of, and the obtaining of rights in, technical data developed under Government R&D contracts which would satisfy the needs of both the defense agencies' design, procurement, and utilization needs, as well as the civilian agencies' need to support research in the civilian areas.

As I am sure you all are aware by now, a new Presidential Memorandum on Government Patent Policy was issued on February 18 of this year. I entitled my remarks "Future Developments in Federal Patent Policy" because what has

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taken place in the last two years is not nearly as significant as the activity that will be taking place with the implementation of this Presidential patent policy. The policy itself appears to be, at least at first blush, relatively simple and straight forward in that it directs the heads of all executive departments and agencies to follow the policy of P.L. 96-517, to the extent permitted by law, for all funding agreements regardless if the recipient of such an agreement is a small business or nonprofit organization. I will address my remarks this afternoon to (a) the language of the Patent Policy Memorandum in an attempt to identify the issues raised by the Memorandum, and (b) the past implementation of P.L. 96-517 in order to identify the issues that might be now applicable to all recipients of contracts, grants, and cooperative agreements.

II. New Presidential Government Patent Policy

The first paragraph of the Memorandum to the Heads of Departments and Agencies on Government Patent Policy sent by the President this February 18 states as follows:

> To the extent permitted by law, agency policy with respect to the disposition of any invention made in the performance of a federally-funded research and development contract, grant or cooperative agreement award shall be the same or substantially the same as applied to small business firms and nonprofit organizations under Chapter 38 of Title 35 of the United States Code.

A. To the Extent Permitted by Law

The first phrase of the policy "To the extent permitted by law ..." is likely to be the most interesting and perhaps controversial issue raised by the new Memorandum. It would ordinarily be self-explanatory in view of the fact that a Presidential policy cannot take precedent over a patent policy established by legislation. Hence, patent policies of the DOE or the National Aeronautics and Space Administration (NASA) would not be changed, particularly not in those areas where the Presidential policy and the legislative policy are in direct conflict.

However, both DOE's and NASA's policies have a substantial amount of flexibility and discretion, and waivers to their policies of acquiring title to inventions can be granted, for example, where "... the interest of the United States will be served ..." (Space Act, 42 U.S.C. 2457), where DOE "... may deem appropriate ..." (Atomic Energy Act, 42 U.S.C. 2182), and where "... the interests of the United States and the general public will best be served ..." (ERDA Nonnuclear Act, 42 U.S.C. 5908). Each of these acts has its own legislative history and several years of precedence, and operational fine-tuning of issues have resulted from practical experience, administrative review, and review by congressional oversight committees and General Accounting Office (GAO) investigations. In view of this legislation and adminstrative history, I do not believe that the waiver guidance applied to DOE's and NASA's legislative patent policy can be substituted for the guidance that may be provided in P.L. 96-517 because of a Presidential Memorandum, even where the guidance applied to DOE's and NASA's statutory waiver policies allows for some measure of discretion.

For example, the legislative history behind DOE's nonnuclear patent policy states that the policy is based upon the Atomic Energy and Space Acts under which relatively few waivers were granted, and that Congress expected the same would be true under DOE's nonuclear statutory patent policy. Accordingly, I do not believe DOE's legislation would allow us to waive in all situations except for those situations provided for in P.L. 96-517 for GOCOs, exceptional circumstances, and areas of national security. To do so would completely reverse the legislative intent of DOE's nonuclear patent policy. This does not mean, however, that DOE and NASA will not follow the guidance of and the implementation of P.L. 96-517 where contrary statutory guidance is not provided, just as we have been following the 1971 Presidential Memorandum and its implementation to the extent permitted law.

The White House Fact Sheet, as issued by the Press Secretary along with the Presidential Memorandum on Government Patent Policy, states that agencies like DOE and NASA would have to continue to follow their own legislation but states that these agencies are expected to make the maximum use of the flexibility under the legislation to comply with the provisions and spirit of the Presidential Memorandum. This is not a particularly difficult problem with patent policies of the type set forth in the DOE and NASA legislation because, as stated above, the legislative history and congressional oversight of these policies make it clear that the policies require the agencies to normally take title to inventions made with agency support.

The White House Fact Sheet also states, after repeating the phrase "To the extent permitted by law ...", that the Memorandum "... is applicable to all

statutory programs including those that provide for inventions to be made available to the public." This reference is obviously directed to those agencies, like the Departments of Interior and Agriculture, or agency programs, having legislation requiring that inventions be "available to the public" (7 U.S.C. 427(i)), "freely available to the general public" (40 U.S.C. 302(e)), or "freely and fully available to the general public" (42 U.S. 1961 c-3). These "available" statutory patent policies have a long history based upon legislative history, congressional oversight, and Executive Branch interpretation as requiring the Government to take title, with no exceptions, to inventions made under support by those agencies.

There appears, therefore, to be direct conflict between the President's Memorandum, as interpreted by the White House Fact Sheet which suggests that discretion exists in these laws and that the Presidential Memorandum should be made applicable, and the long history of interpreting this type of "available" legislation as having no discretion. Inasmuch as the agencies have universally interpreted the legislation as lacking discretion, there appears to be no discretion or flexibility to which the Presidential Memorandum could apply. If discretion could be applied, application of the Memorandum would cause a total reversal of the agencies' previous positions, and would, in effect, change these agencies from "title taking" to acquiring title in inventions only in those limited situations permitted in P.L. 96-517. It would seem that these agencies are caught in a dilemma between finding that they had been interpreting their legislation incorrectly for all these

years, or simply saying that their laws, having no flexibility, are not affected by a Presidential Memorandum, notwithstanding the statement in the White House Fact Sheet.

This also raises an interesting question of what standing, legislative history, or instructional value is a "fact sheet" issued by a press office at the time an Executive Branch memorandum is issued. Having raised that issue, I am going to use my discretionary authority and flexibility and elect not to discuss it further.

B. Agency Policy

The Presidential Memorandum goes on to say that "... agency policy ..." will follow P.L. 96-517. This phrase is important in view of the fact that early drafts of the memorandum used the phrase "... agency policies, regulations, procedures, and patent rights clauses ..." would follow P.L. 96-517. During the period of interagency comments, the major R&D sponsoring agencies were in total agreement that the "policies" of P.L. 96-517, that is, the policy of allowing a contractor the first option to acquire title to inventions, was appropriate and should be applied to all types of contractors, as opposed to only nonprofit organizations and small business firms. There was substantial objection by DOE, DOD, and NASA, however, to the implementation of this legislative policy as it is applied to small business firms and nonprofit organizations in OMB Circular A-124, and in particular, to the specific clause language which was particularly developed, under the objection of many, to address the concerns and limited capabilities of the university

community. Accordingly, these agencies only agreed to the issuance of the Memorandum if the reference to regulations, procedures, and contract clauses was deleted.

While I am on the subject of the implementation of P.L. 96-517, I might say a few words in regard to how OMB Circular A-124 was developed. Although the R&D-sponsoring agencies were heavily involved in the development of the first draft of the Bulletin that preceeded the Circular and, like everyone else, were provided an opportunity to make comments on the Bulletin, the agencies were not given an opportunity to comment on the final language that was placed in the OMB Circular. As a result, there are many areas of the Circular that the major R&D-sponsoring agencies -- and in particular DOE, DOD, and NASA -- find objectionable.

Probably the most important objection is the structuring of the clause set forth in the Circular which allows nonprofits and small businesses to publish subject inventions prior to (1) any attempt being made to elect whether the contractor wishes to retain title, or (2) the Government being given the opportunity to protect those rights that the contractor does not want. Additionally, the clause allows the contractor the full U.S. statutory one year period after publication in which to file the patent application. If the contractor fails to file, or changes its election to file, there is no requirement that the sponsoring agency be given sufficient time to even protect U.S. rights in such inventions. The contractor is thereby permitted to destroy both domestic and foreign rights in inventions developed under

such funding agreements. In my opinion, this is in direct violation of the clear statutory intent of P.L. 96-517 which provides for residual rights to go to the sponsoring agency any time the contractor either fails to report, elect, or file within a reasonable time, or elects not to protect the invention.

Even if this and other objectionable features of OMB Circular A-124 were corrected, it was the position of at least DOE, DOD, and NASA that the application of the Circular to contractors other than nonprofit organizations and small business firms is inappropriate. In view of the fact that the primary beneficiary of P.L. 96-517 was the university community in grant situations, the major R&D-sponsoring agencies approved a flexible and even imprecise patent rights clause which provided inordinately long time periods to make decisions on election and filing. For example, the clause in Circular A-124 does not even have a positive reporting requirement in view of the fact that reports are only necessary where a subject invention is disclosed in writing to the contractor's "personnel responsible for patent matters." Additionally, record keeping requirements and authority to inspect records, as well as withholding of payment provisions, were not included in the clause when they have been boiler plate for many years in patent rights clauses found in the Federal Procurement Regulations and the Defense Acquisition Regulations. Such a "watered-down" clause, although perhaps justifiable in grant situations with the universities, were considered as totally inappropriate for patent rights clauses with contractors performing

the main, directed research efforts of the major R&D-sponsoring agencies. It is for this reason, therefore, that DOE, DOD, and NASA withheld their concurrence from a proposed Presidential memorandum which extended the application of the implementing regulations of P.L. 96-517 to all Government contractors.

C. Disposition of Any Invention

The next phrase of the policy statement also raises some interesting issues. The Memorandum states that agency policy "... with respect to the disposition of any invention made in the performance ..." of an R&D contract, grant, or cooperative agreement shall follow P.L. 96-517. The phrase "disposition of any invention made" normally refers to the basic allocation of rights between the Government and its R&D contractor, grantee or awardee, and primarily refers to whether the Government or the contractor acquires title. It would appear not to be an idle question as to whether the other rights or obligations of the parties under P.L. 96-517 were intended to be included.

In this regard, it is noted that the last paragraph of the Presidential Memorandum is as follows:

> In addition, agencies should protect the confidentiality of invention disclosure, patent applications and utilization reports required in performance or in consequence of awards to the extent permitted by 35 U.S.C. 205 or other applicable laws.

If the word "disposition" of the first paragraph was intended to cover requirements of confidentiality of invention disclosures and patent applications found in 35 U.S.C. 205, or confidentiality of utilization reports found in Section 35 U.S.C. 202(c)(5), there would appear to be no necessity for the last paragraph of the policy.

Additionally, the second paragraph of the Memorandum indicates that the rights of the Government or obligations of the contractor set forth in 35 U.S.C. 202-204 may be waived or omitted by the agency. These provisions include such items as: the Government's nonexclusive license; the Government's march-in rights; the contractor's obligations to make certain statements in a patent application; limitations on acquiring rights to the contractor's background patents; and requirements that exclusive licenses cannot be granted for the use or sale of the invention within the U.S. without an agreement to substantially manufacture the invention in the U.S. (hereafter referred to as the preference for U.S. manufacture). In view of the second and third paragraphs of the Memorandum, a logical interpretation of the first paragraph is that only the disposition of title in inventions made under R&D contracts are to follow the policies of P.L. 96-517.

D: Substantially the Same

The last area of interpretation of the Memorandum's first paragraph is that policies "... shall be the same or substantially the same ..." as set forth in P.L. 96-517. I personally have no idea what the phrase "substantially the same" was intended to mean, or how it will be interpreted. I, along with you, will watch the possible use of this flexible language with substantial interest.

E. Waiver of Rights and Obligations

An additional area of flexibility that will bear watching is the application of the second paragraph of the memorandum which states as follows:

> In awards not subject to Chapter 38 of Title 35 of the United States Code, any of the rights of the Government or obligations of the performer described in 35 U.S.C. 202-204 may be waived or omitted if the agency determines (1) that the interests of the United States and the general public will be better served thereby as, for example, where this is necessary to obtain a uniquely or highly qualified performer; or (2) that the award involves co-sponsored, cost sharing, or joint venture research and development, and the performer, co-sponsor or joint venturer is making substantial contribution of funds, facilities or equipment to the work performed under the award.

The "bottom line" of almost any Government patent policy, legislative or administrative, has been the retention by the Government of a nonexclusive license for its own use, and the ability of the Government to require licensing to others under certain limited circumstances -- as where the patent owner fails to commercialize or attempt to commercialize the invention, i.e., the Government "march-in" rights. The Memorandum, therefore, allows the agencies to waive these minimum Government rights as well as the preference for U.S. manufacturing obligation, and the obligation to provide utilization reports to the Government agency.

The findings that must be made in order to grant any or all of these waivers is that the interests of the U.S. will better be served by such a waiver, and the example that is given is where such action is necessary to obtain a unique or highly qualified contractor. Also, a finding that the contract

involves substantial co-sponsored, cost shared, or joint venture R&D will also justify a waiver determination. The reason that I find these particular guidelines of interest is that these types of contracting situations are not particularly unique or unusual in the Federal Government, and particularly not unique or unusual in the DOE. In DOE, many of our major program efforts involve a substantial amount of cost sharing or cooperative R&D agreements, and an argument could be made that any sole source justification would be enough to make a finding that the contractor is "unique." If these guidelines are interpreted so broadly, we have indeed entered a new era of Government patent policy where substantial cost sharing or a sole source justification will be enough to give up the Government's license rights, the right to inquire about commercial utilization, and the right to take any action where a contractor is effectively suppressing utilization of the R&D results.

Here again, the manner in which these provisions, or areas of flexibility, are implemented will bear watching, and will be of substantial importance to, for example, DOD's use of its own R&D results, and the general public's use of the results of much of the civilian agencies' R&D efforts.

III. Public Law 96-517

In addition to the issues and problems of interpretation caused by application of the public law to contractors other than small businesses and nonprofits set forth above, P.L. 96-517 itself has some areas that need interpretation totally apart from the application of the law under the Presidential Memorandum.

A. Funding Agreement

For example, DOE has been struggling with the definition of what is a "funding agreement" for some time. " The definition in the legislation refers to a "contract, grant, or cooperative agreement," which in turn is language that comes directly from the Federal Grant and Cooperative Agreement Act of 1977 (41 U.S.C. 401) which does not, in itself, define these terms. Additionally, implementing guidance by OMB and OFPP has not provided precise definitions of these terms.

We at DOE entered into a large variety of agreements involving R&D activities which at least some people do not consider as falling into the area of contracts, grants, or cooperative agreements, as the clauses mandated by the acquisition and assistance regulations are not used -- that is, clauses such as equal opportunity, covenants against contingent fees, and a whole raft of social and economic provisions. Examples are where DOE makes its national laboratories, or particularly designated research facilities, available to the general public for privately-sponsored research activities. In addition, DOE permits all manner of domestic and foreign persons to work in its national laboratories, and provides support to educational activities through fellowship agreements. Most of the agreements covering this type of research support are not written in the form of a contract, grant, or cooperative agreement, and do not follow legislative and regulatory requirements for such agreements. They are, therefore, being interpreted as falling outside the classification of a funding agreement.

Informal discussion with attorneys of other agencies indicate that other agencies have come to the same conclusion. The problem is, however, that when such agreements fall outside of P.L. 96-517, they fall within DOE's title-taking legislation which includes any "... contract, grant, agreement, understanding, or other arrangement which includes research ...." Therefore, when NSF concludes that fellowship agreements do not fall under P.L. 96-517, they are free to utilize any patent policy they desire. When DOE makes such a decision, the result is not as flexible.

B. Government-Owned Research or Production Facility

P.L. 96-517 need not apply to funding agreements for the "... operation of a Government-owned research or production facility ...", or what is otherwise normally referred to as a "GOCO." Here again, DOE may be in a unique position because we seem to be the only agency that admits to having contracts for the operation of Government-owned research or production facilities. As a matter of fact, we have: contractors which operate facilities on Government-owned land, in Government-owned buildings, using Government-owned equipment; contractors which operate facilities in Government-owned buildings, having Government-owned equipment, on contractor-owned land; contractors which operate facilities having Government-owned equipment, on contractor-owned land, and in contractor-owned facilities where the entire justification of the facility is to operate the Government-owned equipment. In addition, any of these factual situations can be further complicated by free use of contractor-owned lands and facilities, minimum payments for

such leases, and "full market" payments for such leases. We also have contracts for the operation of Government-owned equipment in Government-owned buildings on Government-owned land where the contractor has been permitted to mix in its private equipment for its private R&D purposes. Needless to say, we are having great difficulty in determining exactly how to define a "GOCO."

C. Agency Approval

There are several places in P.L. 96-517 where the contractor's actions are restrained unless approval is obtained from the contracting agency. Examples are the limitations on nonprofit organizations to assign invention rights or to grant exclusive licenses without agency approval, and the requirement for contractors to provide for preference for U.S. manufacturing unless a waiver is obtained from the agency. The issue has been raised to DOE as to whether such approvals can be made on a class basis at the time of contracting, rather than on an invention by invention basis. The issue is clear for those not under P.L. 96-517 because of the second paragraph of the Presidential Memorandum. The issue is not so clear for those falling under P.L. 96-517 in view of the fact that the type of decision to be made would appear to preclude an advance waiver or approval because of the individual invention nature of the determination to be made, and yet there is no express prohibition to a class, or advanced type, decision-making process in the legislation itself.

IV. Summary

In summary, there appears to be many areas in the public law itself which need to be addressed on a Government-wide basis, as well as the issue raised by the application of the public law as required by the new Presidential Memorandum on Government Patent Policy. I personally had been hoping that the Department of Commerce, as lead agency under OMB Circular A-124 and in response to their obligation to consult with representatives of the R&D-sponsoring agencies, would by now have established an interagency group in order to help uniformly interpret the public law, develop implementations under it, and address the objectionable areas in the Circular itself. Hopefully, the issues regarding interpretation and implementation of the public law under the Presidential policy will be guided by such a committee established under the Federal Coordinating Council for Science, Engineering, and Technology as envisioned by the White House Fact Sheet.

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, D.C. 20510

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August 24, 1984

Mr. Frederick N. Khedouri
Associate Director, Natural Resources,
Energy and Science
U. S. Office of Management and Budget
Room 260 Old Executive Office Building
Washington, D.C. 20503

Dear Mr. Khedouri:

I write to call your attention to the existence of continuing opposition within the Department of Energy to the implementation of the President's new policies regarding contractor ownership of inventions developed under federal research and development contracts.

The Department of Energy (DOE) has taken no actions to comply with President Reagan's February 18, 1983 Patent Policy Memorandum. To the extent permitted by law, the Memorandum directed the heads of agencies to give all contractors the same, or substantially the same, right to own inventions resulting from Government research and development (R&D) funding that the Dole-Bayh Act (38 U.S.C. 35) gave to small business and nonprofit organizations.

The Fact Sheet released with the Memorandum stated that the National Aeronautics and Space Administration (NASA) and the Department of Energy operate under statutes that are inconsistent with the President's policy, but are expected to make maximum use of flexibility available under their statutes to comply with the provisions and spirit of the policy. The attached background paper shows that DOE has wide authorities to waive ownership of inventions at the time of contracting under the Nonnuclear Energy Research and Development Act of 1974, and the Atomic Energy Act, but has made virtually no attempt to use them. The agency has even prevented the nonprofit operators of its Government-owned laboratories from owning their inventions by making blanket use of an exception provision in the Dole-Bayh Act (which I authored).

The Administration and I have been seeking to establish the concept of contractor ownership of all Federally funded inventions in law. Legislation proposing contractor ownership and repealing DOE's authority, which has been used by the agency to generally retain ownership, has been endorsed in a

Cabinet Council Resolution, three letters from the President's Science Advisor to congressional committee chairmen, and OMB approved testimony before House and Senate committees during the current and previous session. In spite of this clear position, DOE staff have recently been trying to influence Congress to exclude DOE from operation of H.R. 5003 and S. 2171 (which I introduced), the current bills providing for changes in the law needed to implement an agency-wide uniform contractor ownership policy.

Finally, DOE has not implemented the patent part of the Federal Acquisition Regulation (FAR) and continues to use the same patent clauses in its procurement contracts that it has used for years, which constitute a substantial burden on private sector contractors.

Overall, DOE has consistently resisted making its patent policies conform with those of the Administration. I believe that OMB should use its statutory authority to require a review of DOE's 48 CFR 927.3--Patent Rights Under Government Contracts, issued as a final rule in the Federal Register on March 28, 1984--for the purpose of revising it to be consistent with Administration directives.

I look forward to hearing from you on this matter in the near future.

Sincerely,

BOB DOLE
United States Senate

Encl: Fact Sheet

Copies to:

Vice President George Bush
Hon. Danny J. Boggs, Deputy Secretary Department of Energy
Mr. James Tozzi, 1333 New Hampshire Ave., N.W., Suite 900, Washington, D.C. 20036
Mr. Douglas H. Ginsburg, Administrator for Information and Regulatory Affairs, OMB, Washington, D.C. 20503

BACKGROUND ON GOVERNMENT PATENT POLICY AND DOE PATENT STATUTES

The President's February 18, 1983 Memorandum on Government Patent Policy

The operative paragraph of the President's Memo indicates:

> "To the extent permitted by law, agency policy with respect to the disposition of any invention made in the performance of a federally-funded research and development contract, grant or cooperative agreement award shall be the same or substantially the same as applied to small business firms and nonprofit organizations under Chapter 38 of Title 35 of the United States Code."

The Memorandum was accompanied by a Fact Sheet that indicates:

> "Those agencies, such as National Aeronautics and Space Administration and the Department of Energy, which continue to operate under statutes which are inconsistent in respects with the Memorandum, are expected to make maximium use of the flexibility available to them to comply with the provisions and spirit of the Memorandum."

DOE Patent Statutes

Paragraph 5980(a) of the Federal Nonnuclear Energy Research and Development Act of 1974, indicates, in part that,

> "Whenever any invention is made or conceived in the course of or under any contract of the Secretary...title to such invention shall vest in the United States, and if patents on such inventions are issued they shall be issued to the United States, unless in particular circumstances the Secretary waives all or any part of the rights of the United States to such invention in conformity with the provisions of this section." (Underlining added.)

In addition, Paragraph 5980(c) of the Federal Nonnuclear Energy R&D Act indicates, in part that:

> "Under such regulations in conformity with the provisions of this section as the Secretary shall prescribe, the Secretary may waive all or any part of the rights of the United States under this section with respect to any invention or class of inventions made or which may be made by any person or class of persons in the course of or under any contract of the Secretary if he determines that the interests of the United States and the general public will be best served by such waiver...In making such determinations, the Secretary shall have the following objectives:" (Underlining added.)

(1) Making the benefits of the energy research, development, and demonstration program widely available to the public in the shortest practical time.

(2) Promoting the commercial utilization of such inventions.

(3) Encouraging participation by private persons in the Secretary's energy research, development, and demonstration program.

(4) Fostering competition and preventing undue market concentration or the creation or maintenance of other situations inconsistent with the antitrust laws.

Further, Section 2182 of the Atomic Energy Act indicates, in part that:

> "Any invention or discovery, useful in the production or utilization of special nuclear material or atomic energy, made or conceived in the course of or under any contract, subcontract, or arrangement entered into with or for the benefit of the Commission, regardless of whether the contract, subcontract, or arrangement involved the expenditure of funds by the Commission, shall be vested in, and be the property of, the Commission, <u>except that the Commission may waive its claim to any such invention or discovery under such circumstances as the Commission may deem appropriate, consistent with the policy of this section.</u>" (Underlining added.)

From these quotes, it is clear that DOE has broad authorities under both of its primary statutes to make class waivers which would allow contractors to own their inventions. The rationale that accompanied the 1983 President's Memorandum is almost identical with the objectives established by the Nonnuclear Energy Act for making waivers.

On March 28, 1984, DOE published its 48 CFR Ch 9, Acquisition Regulations as a Final Rule thata continues its former policies of Government ownership without change. Subpart 927.3--Patent Rights Under Government Contracts says:

> (a) The provisions of 41 CFR 9-9.1 shall continue in effect...

<u>Nonprofit Contractor Operators of Government-Owned Laboratories</u>

DOE's treatment of the nonprofit organizations that operate its Government-owned (GOCO)laboratories resolves any doubt about the agency's failure to respond to the President's policy. Section 202(a) of Public Law 96-517 says:

"Each nonprofit organization or small business firm may... elect to retain title to any subject invention: Provided, however, that a funding agreement may provide otherwise (i) when the funding agreement is for the operation of a Government-owned research or production facility..."

P.L. 96-517 went on to change DOE's statutes as they relate to small business and nonprofit organizations. Section 210 (a) says:

"This chapter shall take precedence over any other Act which would require disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, including but not not necessarily limited to the following:

"...(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182, 68 Stat. 943);

"...(12) section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901, 88 Stat. 1878)."

With parts of its basic statutes repealed, the Department can only insist on taking title to inventions made by the nonprofit operators of its Government-owned laboratories by using the (GOCO) exception in section 202(a)(i). DOE has consistently used this exception since passage of P.L. 96-517 and insisted on the right of Government ownership. This is exactly opposite to the President's memorandum directing agencies to allow contractor ownership wherever permitted by law.

The Federal Acquisition Regulation (FAR)

DOE is not in compliance with the Federal Acquisition Regulation which implemented the February 18 President's Memo. The March 28 Final Rule was published just two days before the Patent Part (Part 27) of the FAR was issued as a final rule. The FAR contains a Government ownership patent clause for use in exceptional situations that is significantly different from the clause that DOE continues to use in virtually all its contracts without any authority other than reliance on the above quoted sections of their statutes.

One significant difference is that the FAR clause does not allow the Government to automatically obtain rights to inventions that a contractor has made with his own funds prior to the contract. The DOE clause may include a provision that allows the agency to require the contractor to give the Government rights in its privately funded inventions. This is in violation of the FAR clause and in direct conflict with the President's Memorandum.

Conclusion

Althought DOE has wide latitude to make class waivers under two major statutes, a Presidential statement of policy objectives that coincide with the objectives for issuing waivers under one of the statutes, a Government-wide statute that directs nonprofit contractor ownership of inventions unless an exception is made, and internal procedures that indicate flexibility, the agency continues to support and impose a policy of Government ownership. It has even continued the reference to the superseded 1971 President's Memorandum on Patent Policy in its most recent Final Rule on patent regulations notwithstanding that is inconsistent with the February 18 Memorandum.

NASA

National Aeronautics and
Space Administration

Washington, D.C.
20546

Reply to Attn of NB

October 31, 1984

TO: A/Administrator

FROM: NB/Chairman, Inventions and Contributions Board

SUBJECT: Annual Report of Monetary Awards Program

Section 306 of the National Aeronautics and Space Act of 1958 authorizes the Administrator to make a monetary award to any person for a scientific or technical contribution which is determined to have significant value in the conduct of aeronautical and space activities. Enclosed for your information is a summary of the awards granted during FY 1984 under this authority. Also enclosed is a breakdown by NASA installation of the number of contributions and dollar amount of awards granted during the year.

The total amount of awards granted during FY 1984 was $250,050. During this period 1,560 individual awards were made, 428 to NASA employees and 1,132 to contractor employees. The dollar value of the awards ranged from $100 to $15,000. Each cash award is accompanied by a Certificate of Recognition.

Twenty-two awards in the amount of $1,000 or greater were granted as shown. These are highlighted by the $15,000 award to Robert E. Fischell and his co-contributors of the Applied Physics Laboratory, Johns Hopkins University, for development of the programmable implantable medication system; and a second award of $10,000 to Frank H. Nola, Marshall Space Flight Center, for his development of the power factor control system for AC induction motors. Mr. Nola's initial award in this amount was made in 1979.

Frederick D. Lees

Enclosure

(Distribution List Attached)

SPACE ACT AWARDS PROGRAM STATUS
INVENTIONS AND CONTRIBUTIONS BOARD

	TOTAL: FY'83			TOTAL: FY'84		
	NASA EMPLOYEES	CONTRACTOR EMPLOYEES	COMBINED TOTAL	NASA EMPLOYEES	CONTRACTOR EMPLOYEES	COMBINED TOTAL
AWARDS FOR SCIENTIFIC AND TECHNICAL CONTRIBUTIONS						
Total Number of Awards	115	104	219	137	93	230
Number of Contributors	165	164	329	267	161	428
Number of Awards of $1,000 or More	13	4	17	14	8	22
Total Value ($) of Awards	$68,550	$45,100	$113,650	$86,100	$50,750	$136,850
AWARDS FOR TECH BRIEFS						
Number of Tech Brief Awards	N/A	N/A	845	N/A	N/A	646
Number of Contributors	250	1181	1431	327	805	1132
Total Value ($) of Awards	$25,000	$118,100	$143,100	$32,700	$80,500	$113,200
TOTAL						
Total Value ($) of Awards	$93,550	$163,200	$256,750	$118,800	$131,250	$250,050

October 26, 1984

Memorandum for Howard Baker

RE: Department of Energy Delays Implementing the Administration's Technology Transfer Policy

The Administration from its earliest days has sought to fully integrate the benefits of the $55 billion of Federally supported R&D into the economy by allowing for the decentralized management of inventions by universities, contractors, and now Federal laboratories. This policy accounts for the current U.S. lead in biotechnology through university- private sector cooperation and is fundamental to U.S. success in commercializing new discoveries in superconductors.

In 1980, 1984, and 1986 laws were passed clearing the way for this decentralization to take place. State and local governments have applauded these new policies which are instrumental to local economic development. States such as Tennessee are relying on R&D facilities such as Oak Ridge National Laboratory to spin off new high technology businesses to diversify their economies.

The President issued an Executive Order on April 10, 1987 directing agencies to speedily implement the new law allowing Federally-owned and operated laboratories to cooperate with the private sector, and to review agency policies to grant greater technology management authorities to all contractors.

DOE appears to be actively resisting implementation of the Administration's technology management policies because they represent a loss of control for the Washington staff. The following facts have recently come to light:

-- Oak Ridge Vice President for Technology Applications, William W. Carpenter testified April 30, 1987 before the House Science and Technology Committee on problems being encountered in commercializing Oak Ridge discoveries. Mr Carpenter said that prompt compliance with the Executive Order by DOE was essential.

--Oak Ridge recently made important discoveries in new materials which get stronger when heated, ~~that~~ have great potential in restoring U.S. competitiveness in heavy duty engines, ~~and~~ Oak Ridge is also a leader in advanced ceramics. Oak Ridge estimates that these two discoveries alone represent U.S. industry profits of hundreds of millions of dollars in fields where we are falling behind Japan. Nevertheless, current DOE practices make contractors like Martin Marietta petition Washington ~~patent~~ invention by ~~patent~~ invention for the ability to management their own ~~inventions~~ technology.

--The Department of Energy has opted to continue current practices for laboratories performing defense-related R&D such as Oak Ridge, Los Alamos, and Lawrence Livermore. The University of California which operates Los Alamos and Lawrence Livermore is

under intense pressure from DOE to bow to continued Washington management of its technologies. It appears that the University and its Board of Regents will fight the DOE policy because of the potential waste of valuable discoveries.

--No other agency, including the Department of Defense, has chosen such a path. The Department of Defense allows contractors to manage all non-classified inventions. This practice has been in place in DOD for years without creating any security problems.

--If left in place the DOE policy will have a chilling effect on U.S. competitiveness in fields like superconductors where we face fierce Japanese competition. DOE currently funds much of the U.S. superconductor research. The DOE policy will also greatly retard economic development efforts in states like Tennessee, New Mexico, and California where DOE defense-related laboratories are potentially rich sources of non-classified inventions which can create new jobs and businesses.

It would be very helpful if you expressed an interest in the implementation of the Administration's technology transfer policies in Department of Energy and asked that DOE keep a member of your staff updated on compliance. This should include direct contacts with important DOE laboratories such as Oak Ridge, Los Alamos, and Lawrence Livermore. There does not appear to be any justification for DOE to have a radically more restrictive policy than the Department of Defense.

Oak Ridge has expressed the belief that if this cannot be accomplished voluntarily, new legislation will be needed to remove any discretion on the part of the DOE Washington staff to interfere in local technology management unless the discovery is classified. This appears to be an embarrassing alternative for the Administration.

DOE PATENT OPTIONS

1. Divide by funding streams. For some streams, DOE class waiver would allow first option in the Contractor under standard contract terms. For the other funding streams, DOE would have the first option.

2. Divide by funding streams. For some streams, DOE class waiver would allow first option in the Contractor under standard contract terms. For the other funding streams, the Contractor would also have the first option, but all patents would include a provision allowing DOE to direct licensing in specified fields of use.

3. Treat all inventions the same regardless of funding streams. Allow first rights in the Contractor, but include a provision in all patents allowing DOE to direct licensing in specified fields of use.

4. Divide by funding streams. For some streams, DOE class waiver would allow first option in the Contractor under standard terms. For the other funding stream, DOE would own the invention, but contractor would apply for the patent to protect its interests and have a paid-up exclusive license for all uses other than specified uses, which would be retained by DOE. This would allow DOE to retain title as the nominal owner, but allow the contractor to control the content of the patent and all non-specified uses.

5. The same as option 4, but do not divide by funding streams. This would conform with existing statutes, not require a class waiver, and, I think, meet nearly all practical objectives of contractor control.

NOTE--I think all of these are a bit stronger for DOE than the present system, under which I believe all contractors receive a nonexclusive license. The existence of these nonexclusive licenses eliminate the ability of DOE to grant exclusive licenses to packages of technology at some future date without some form of march-in action.

NEXT

TITLE IV: Proposed to be included at the beginning of this title:

DUTIES AND AUTHORITIES OF THE SECRETARY OF ENERGY

Section A

The Secretary of Energy shall:

a) review all regulations, policies, procedures, and administrative processes associated with the DOE's National Laboratories Directors' ability to:
   1) form collaborative relationships/agreements with private industry or universities;
   2) effect "work-for-others";
   and 3) operate user facilities.

b) review procedures and regulations involving the management of intellectual property rights for inventions technical data, and software developed at the National Laboratories or as a result of collaborative R&D agreements.

c) review FOIA policies and procedures to ensure that they are not inconsistent with the purposes of this act.

d) formulate and carry out a comprehensive set of regulations/guidelines/procedures to advance the policies of this act, based on the aforementioned reviews.

e) report to Congress and the President within 90 days the status of this review and implement the comprehensive set of procedures within 180 days of enactment of this bill.

Section B

The Congress authorizes and directs that the comprehensive set of regulations and procedures authorizing the DOE National Laboratory Directors to enter into collaborative R & D agreements and managing intellectual property associated with the National Laboratory inventions, and technical data - be designed and executed according to the following principles:

1) that the regulations and procedures be uniform and standardized, to the greatest extent possible, for all DOE National Laboratories, energy-based and defense program laboratories;

2) that the review process by which the Lab Directors enter into collaborative agreements or perform work for others be streamlined and expedited;

3) that the paperwork and levels of review required for DOE approval of such agreements be minimized;

4) that the DOE approval process be decentralized to the extent possible, by granting final approval authority to the DOE regional field operations offices for the majority of such collaborative agreements and other

activities necessary to manage the intellectual property and technical data, and that final approval authority be applicable to criteria for issuing guidelines regarding classes of agreements to be entered into by the laboratories. The laboratories may then enter into such agreements without case-by-case approval. After issuance of such guidelines, the role of the DOE regional field offices shall be to periodically review the agreements made by the laboratories and, as appropriate, issue further guidance for future agreements;

5) that the National Laboratories' entrepreneurial activities be enhanced so as to increase the Laboratories' contribution to the U.S.'s ability to compete internationally by speeding up the transition from R & D to product development, to the maximum extent so as not to detract from the laboratories primary energy, nuclear, ordefense-related missions;

6) that these entrepreneural activities are coequal with the other missions with which the national laboratories have been charged.

7) that criteria established to implement the objectives of this act be published in the Federal Register and disseminated to all relevant organizations.

8) that industry provide cost-sharing for collaborative R & D agreements;

9) that intellectual property be adaquately protected and managed so as to maximize its commercialization potential.

of the National Cooperative Research Act of 1984 (15 U.S.C. 4301 et seq.) for purposes of such Act.

TITLE IV—TECHNOLOGY MANAGEMENT AT THE DEPARTMENT OF ENERGY NATIONAL LABORATORIES

SEC. 401. FINDINGS.

The Congress finds that—

(1) private industry has great interest in scientific collaboration with the Department of Energy National Laboratories but only if the present Department of Energy laboratory contracting process can be streamlined and intellectual property associated with joint ventures, adequately protected;

(2) management authority for intellectual property must be granted to the Directors of the Department of Energy National Laboratories to ensure that they can negotiate with industry to set up cooperative research and development agreements;

DOE Comments:

Sec. 401. OBJECTIONABLE - Finding (2) should be deleted. It states that management authority must be granted to Lab Directors so they can negotiate cooperative R&D agreements. We object to giving all authority to the Lab Directors.

Sec. 401. Proposed Revision:

Replace Finding (2) with the following statement:
"(2) an expedited process is needed for managing any and all intellectual property that is significant to a collaborative

(3) the present Department of Energy policy of disseminating computer software publically, via the National Energy Software Center, despite its commercialization potential, has at times, benefited foreign companies and there should be a timely, consistent review procedure to ensure that commercial-

ization potential is considered when software is developed under a Department of Energy contract or may have involved some Department of Energy funding;

(4) the Department of Energy National Laboratories must be perceived as "user-friendly" in order for industry to seriously consider the laboratories partners for collaborative research and development ventures;

(5) the National Laboratories must aggressively seek contact with private industries to ensure that they recognize the technical and scientific expertise resident in these laboratories, in addition to publicizing the availability of user facilities and technological projects in process; and

(6) the National Laboratories have demonstrated successes in technology transfer into the private sector but the effort can be significantly enhanced if—

(A) industry becomes more aware of the laboratories research and development projects and capabilities;

(B) technology transfer is considered a significant part of the laboratory's mission;

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(C) the laboratories become better educated in industry market requirements; and

(D) industry gets involved with the laboratories early enough in the research and development process to direct development of commercially viable products.

SEC. 402. PURPOSE.

The purpose of this title is to better meet the continuing responsibility of the Federal Government to ensure the full use of the results of the Nation's Federal investment in research and development in meeting international competition.

SEC. 403. POLICY.

It is the policy of Congress that intellectual property rights in technology or devices developed at the National Laboratories should be controlled in a manner that promotes the use of such technology and devices to improve the competitive advantage of the United States industries.

SEC. 404. DEFINITIONS.

For purposes of this title—

(1) The term "invention" means any invention which is or may be patentable or otherwise protected under title 35, United States Code, or any novel variety of plant which is or may be protectable under the Plant Variety Protection Act (7 U.S.C. 2321 et seq.).

(2) The term "subject invention" means any invention of a National Laboratory first conceived or reduced to practice in the performance of work under a contract or funding agreement for the operation of a National Laboratory.

(3) The term "made" when used in conjunction with any invention means the conception or first actual reduction to practice of such invention.

(4) The term "technical data" means recorded information of a scientific or technical nature regardless of form or the media on which it may be recorded.

(5) The term "computer software" means recorded information regardless of form or the media on which it may be recorded comprising computer programs or documentation thereof.

(6) The term "intellectual property" means patents, trademarks, copyrights, trade secrets, mask works, and other forms of intellectual property enacted by Congress or the States.

(7) The term "collaborative party" means a party to a cooperative research and development agreement as defined in paragraph (5).

(8) The term "laboratory owned" means any rights in intellectual property conveyed under this

1 [illegible] a contractor operating a National Laboratory
2 or any rights in intellectual property arising under
3 the operating contract for a National Laboratory
4 where rights are not expressly taken by the United
5 States Government or by a subcontractor.

DOE Comments:

(Sec. 404) Requires Clarification - The definition of "intellectual property" improperly equates all forms of intellectual property. The inclusion of "trade secrets" and "intellectual property enacted by...the states", in conjunction with secs. 401 and 408 creates (1) potential new and substantial liabilities for the Government and/or its contractors; (2) a new "closed" approach to operation of the Labs and handling Lab-produced technical data; (3) a new requirement that such data be exchanged only with nondisclosure agreements; and (4) limits the ability of contractors to build on research and data produced by another lab.

The definition of "laboratory owned" should be modified by inserting "expressly" before "conveyed" and striking everything after "National Laboratory" because the Lab can only own rights they expressly are given by the Government.

DOE Comments:

Sec. 404. Definitions. Proposed Revision:

Issues raised here need further discussion/clarification with DOE. With respect to the definition of intellectual property, current language does not equate all forms of intellectual property, but merely list types that are covered by the definition. This does not require that all types of intellectual propetry need to be handled in the same way.

405

SEC. 405. COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS.

(a) GENERAL AUTHORITY.—The Secretary of Energy shall permit the director of any of its National Laboratories—

(1) to enter into cooperative research and development agreements on behalf of the Department of Energy with—

(A) other Federal agencies;

(B) units of State or local government;

(C) industrial organizations including corporations, partnerships, and limited partnerships, consortia, and industrial development organizations;

(D) public and private foundations;

(E) nonprofit organizations including universities; or

(F) other persons including licensees of inventions, technical data or computer software owned by the National Laboratory; and

(2) to negotiate intellectual property licensing agreements for National Laboratory owned inventions, technical data or computer software, assigned or licensed to the National Laboratory by third parties including voluntary assignment by employees.

(b) SPECIFIC AUTHORITY.—Under cooperative research and development agreements entered into pursuant to subsection (a)(1), the Director of a National Laboratory may—

(1) accept, retain, and use funds, personnel, services, and property from collaborating parties and provide personnel, services, and property to collaborating parties;

(2) grant or agree to grant in advance to a collaborating party, intellectual property licenses or assignments, or options thereto, in any invention, technical data or computer software, made in whole or in part by a National Laboratory employee under the cooperative research and development agreement; and

(3) to the extent consistent with Department of Energy requirements and standards of conduct, permit employees or former employees of the National Laboratory to participate in efforts to commercialize inventions, technical data or computer soft-

ware such employees or former employees made while in the service of the National Laboratory

(c) APPROVAL OF AGREEMENTS BY SECRETARY.—(1) If the value of an agreement entered into under this section does not exceed $1,000,000, the agreement shall not be subject to the approval of the Secretary of Energy.

(2) If the value of an agreement entered into under this section exceeds $1,000,000, but does not exceed $10,000,000 (the maximum amount for a cooperative research and development agreement), the Secretary of Energy or his designee may disapprove or require the modification of the agreement. The agreement shall provide a 30-day period beginning on the date the agreement is presented to the Secretary of Energy or his designee by the head of the National Laboratory concerned, within which such action shall be taken. In any case in which the Secretary of Energy or his designee disapproves or requires the modification of any cooperative agreement presented under this section, the Secretary or his designee shall transmit a written explanation of such disapproval or modification to the head of the National Laboratory concerned. If such action is not taken within this 30-day period, the cooperative research and development agreement shall be deemed approved.

(d) LIMIT ON NUMBER OF AGREEMENTS.—The cumulative total of all agreements entered into by each National Laboratory Director under this section shall not exceed 10 percent of that laboratory's annual budget.

(e) RECORDS OF AGREEMENTS.—Each National Laboratory shall maintain a record of all agreements entered into under this section.

DOE Comments:

Sec. 405.(a), (c), and (d) - OBJECTIONABLE - Allows Lab Directors to enter cooperative R&D Agreements and to waive DOE intellectual property rights. This provision, applicable to all areas of research, is objectionable for the same reasons as sections 109 and 110 and also because it purports to allow one private party to convey ownership rights of the Government to another private party. It is unclear whether the limitation in sec. 405(d) refers to nonappropriated or DOE funds.

Sec. 405(b) and (e). OBJECTIONABLE - Allows Lab Director to negotiate intellectual property licensing agreements, exchange personnel and services, license or assign the rights to lab developments, and permit Lab employees to participate in commercialization efforts for lab developments. These activities already are taking place at some DOE Labs, but they require some degree of DOE oversight. As written, the legislation does not even assure DOE will be notified of the agreements.

Sec. 405. Proposed Revision:

Replace parts of section 405(a) with the following:
"(a) GENERAL AUTHORITY.--The Secretary of Energy shall establish guidelines and procedures that permit the director of any of its national laboratories -"

(a)(2) to control, protect, and manage intellectual property developed at DOE national laboratories, or developed as a result of a collaborative research and development agreement to ensure maximum commercialization potential, and to ensure that the private parties to collaborative agreements are granted sufficient rights to exclusive ownership of such [illegible]

(a)(3) to provide national laboratory directors the authority to negotiate collaborative R & D agreements in an expeditious manner (including final approval by DOE) and to ensure that they have the ability to control, protect, and manage all intellectual property rights as part of these R&D agreements.

"(b) SPECIFIC AUTHORITY.--Under collaborative R&D agreements entered into pursuant to subsection (a)(1), the DOE guidelines/procedures shall address at a minimum the following authorities for the Director of a national laboratory-"

"(c) COLLABORATIVE RESEARCH AND DEVELOPMENT AGREEMENTS.--(1) The value of a collaborative agreement shall not exceed $10,000,000, and the total aggregate of such agreements shall not exceed 10% of a laboratory's annual budget.

(2) The approval process for DOE oversight of such research and development agreements shall not exceed 90 days and shall be decentralized and thereby delegated to DOE regional field operations offices, to the greatest extent possible.

"(3) Regulations setting forth the procedures and criteria for collaborative R&D agreements shall be promulgated by the DOE. Said regulations shall be as uniform as possible for all national laboratories, energy and defense programs laboratories."

Delete section 405(d). Replace section 405(e) with:
"(d) RECORD OF AGREEMENTS.--Each national laboratory shall maintain a record of all agreements entered into under this section. The DOE shall maintain a comprehensive records of all agreements entered into under this section for all the national laboratories.

4083

SEC. 406. CONTRACT CONSIDERATIONS.

(a) REGULATIONS AND PROCEDURES.—(1) The Office of Federal Procurement Policy may issue regulations or set forth suitable procedures for implementing the provisions of section 405(a)(1) after public comment. Implementation of section 405(a)(1) shall not be delayed until issuance of such regulations.

(2) Any regulations covering National Laboratory cooperative research and development agreements under section 405(a)(1) shall be guided by the purpose of this title.

(b) AGREEMENT CONSIDERATIONS.—The Director of the National Laboratory in deciding what cooperative research and development agreements to enter into shall—

(1) give special consideration to small business firms and consortia involving small business firms;

(2) give preference to business units located in the United States which agree that products embodying inventions, technical data or computer software made under the cooperative research and development agreement or produced through the use of such inventions, technical data or computer software, will be developed and manufactured substantially in the United States;

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computer software for United States Governmental purposes.

(b) PROTECTION OF TECHNICAL DATA AND COMPUTER SOFTWARE.—(1) Technical data or computer software obtained or generated by National Laboratory shall not be disclosed to the public if the Director of the National Laboratory or his designee determines that—

(A) the technical data or computer software is commercially valuable; and

(B) there is a reasonable expectation that disclosure of the technical data or computer software could cause substantial harm to the commercial application of such information.

(2) A cooperative research and development agreement which provides that technical data or computer software which meets the conditions of paragraph (1) obtained or generated—

(A) by the Department of Energy or the National Laboratory pursuant to such cooperative research and development agreement; or

(B) under a National Laboratory cooperative research and development,

shall not be disclosed to the public.

(3) Documentation disclosing technical data or computer software subject to nondisclosure under paragraphs

(b) and (c) shall not be considered as agency records under the Freedom of Information Act during the term of nondisclosure to the public.

(c) REGULATIONS.—The Office of Federal Procurement Policy, in cooperation with other interested Federal agencies, shall issue within 180 days after the date of enactment of this title including 30 days for public comment, regulations establishing a standard contract clause to implement this section in the Department of Energy contract for the operation of any National Laboratory.

DOE Comments:

Sec. 408(a) and (b). OBJECTIONABLE - Allows Labs elect ownership to intellectual property rights protecting technical data (including software) generated under a DOE operating contract. The data also would be exempt from FOIA disclosure if the Lab Director determines it has commercial value and that disclosure could cause harm. This section also would allow data developed under a cooperative agreement to be exempt from FOIA if the agreement so provides. Any FOIA exemption should apply only for a limited time period. Vesting labs with ownership of intellectual property rights would not necessarily speed the flow of underlying data to the private sector for commercialization and thus, would harm competitiveness. Also, the needs of other researchers to share in data should be protected. The license right retained by the Government may not be adequate in some instances, such as trade secrets, to ensure that the Government or our contractors legally could enhance prior developed technology or create derivative works. A conflict-of-interest could arise in allowing the labs to decide whether FOIA disclosures should be made. Labs would have no reason to disclose information they could otherwise sell or use in negotiating cooperative agreements. The provision in sec. 408(b)(2) is unclear.

Sec. 408(c). OBJECTIONABLE - Charges OFPP with issuing implementing regulations. DOE should issue any needed regulations.

Sec. 408. Proposed Revision:

Provisions related to FOIA need to be discussed with DOE. With regard to comments about section 408(b)(2), wording has been changed so that purpose should be clear. Information that can be withheld is that which: (1) is commercially valuable or when disclosure could harm commercial application and (2) it has been generated as a result or under a collaborative research and development agreement.

Delete in (b)(2) phrase "A cooperative research agreement which provides that," and replace in (b)(2)(A) "pursuant to such cooperative" with "as a result of a collaborative," and in (b)(2)(B) replace "cooperative research and development," with "collaborative research and development agreement" Replace in 408(c) "Office of Federal Procurement Policy" with "Department of Energy."

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SEC. 40_. SPECIAL RULE FOR WAIVER OF GOVERNMENT LICENSE RIGHTS.

Any of the rights of the Government or obligations of a National Laboratory described in chapter 18 of title 35, United States Code, including the license reserved in section 202(c)(4) of title 35, United States Code, may be waived or omitted if the Secretary of Energy determines that the interests of the United States and the general public will be better served or the objectives and policies of this title will be better promoted by such waiver or omission. A waiver or omission shall be considered—

(1) if it is necessary to obtain a uniquely or highly qualified contractor;

(2) if the invention involves cosponsored, cost-sharing or joint venture research and development,

and the contractor, cosponsor or joint venturer is making substantial contribution of funds, facilities or equipment to the work performed on the invention; or

(3) if the invention will require substantial additional investment in development before a product is created and it is expected that the primary market for such product is the United States Government.

DOE Comments:

Sec. 409. Suggest Clarification - Allows the Secretary to waive Government rights or lab obligations where in the best interest of the United States. DOE does not know of any situations where such a waiver would be in the best interests of the United States or where DOE programs have suffered because of Government licensing rights.

Sec. 409. Response:

Similar provision is found in the Federal Non-nuclear Energy Act of 1974, Section 9(h)(2). This section would only be used in rare cases. Purpose is to allow the government maximum flexibility in cases where the government was the only logical or probable customer for a product that would require considerable additional development costs. There would be little or no incentive for industry to further develop these products, if the government already had a paid-up license. This was designed to give extra discretion to the government. (Include example).

SEC. 410. INTELLECTUAL PROPERTY CONTRACT PROVISIONS.

(a) CONTRACT PROVISIONS.—Any Department of Energy contract to operate a National Laboratory shall provide—

(1) that any royalties or income that is earned by the National Laboratory from the licensing of laboratory-owned intellectual property rights in any fiscal year shall be used as authorized under subsection 202(c)(7)(E) of title 35, United States Code and section 13(a)(1)(B)(i)–(iv) and section 13(a)(2)–(4) of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3710c(a)(1)(B)(i)–(iv) and 3710c(a)(2)–(4));

(2) that the costs of obtaining and protecting intellectual property rights in any invention, technical data or computer software, owned by the National Laboratory shall be paid for by the Department of

Energy to the extent not offset by royalty income earned from the licensing of National Laboratory-owned intellectual property rights; and

(3) that the management of intellectual property rights, including procurement and retention of such rights as well as licensing of such rights, in connection with laboratory-owned inventions, technical data and computer software shall be the responsibility of the Director of the National Laboratory at which the invention, technical data, or computer software are made, developed, or assigned.

(b) COMPENSATION.—(1) Subject to paragraph (2), in return for retaining title to any intellectual property rights in any invention or discovery made in performance of a Department of Energy cooperative research agreement, the National Laboratory contractor shall pay to the United States reasonable compensation based on the value of the technology transferred. The amount of the payment arising as a result of the transfer shall be set by an arbitration board consisting of one member selected by the contractor,