The conference will, on the basis of the facts available:

1. Ascertain that the debt is a just debt; and if so,

2. Endeavor to obtain an agreement for liquidating the indebtedness, subject to the proviso in subparagraph .04b.3. of this section.

3. The Internal Revenue Service is authorized, but not required, to utilize this procedure in collecting delinquent Federal taxes. In lieu of the procedure described in this paragraph .04, the Internal Revenue Service may, if it so desires, utilize the procedure described in the following provision of law (68A Stat. 783; 26 U.S.C. 6331 (a)):

> "If any person liable to pay any tax neglects or refuses to pay the same within 10 days after notice and demand, it shall be lawful for the Secretary or his delegate to collect such tax (and such further sum as shall be sufficient to cover the expenses of the levy) by levy upon all property and rights to property(except such property as is exempt under Section 6334) belonging to such person or on which there is a lien provided in this chapter for the payment of such tax. Levy may be made upon the accrued salary or wages of any officer, employee, or elected official, of the United States, the District of Columbia, or any agency or instrumentality of the United States or the District of Columbia, by serving a notice of levy on the employer (as defined in Section 3401(d)) of such officer, employee, or elected official. If the Secretary or his delegate makes a finding that the collection of such tax is in jeopardy, notice and demand for immediate payment of such tax may be made by the Secretary or his delegate and, upon failure or refusal to pay such tax, collection thereof by levy shall be lawful without regard to the 10-day period provided in this section."

In the event the Internal Revenue Service insists upon collection by levy, rather than collection by payroll deduction plan, the procedure for collection by levy must be observed, and the remainder of this paragraph .04 is not applicable.

c. Voluntary liquidation of a just debt. When it is established that the debt is a just debt, that the employee is willing to enter into a plan for liquidating the indebtedness, and that collection by levy procedures is not involved, the Department representative will assist him in formulating such a plan substantially as follows:

1. The employee will agree to (a) a cash settlement in full or cash payment by installments, or (b) payroll deductions to cover the amount due.

2. The payment should be as large as the employee's personal financial situation will permit. Except in extreme circumstances, the payment should be large enough to liquidate the indebtedness in full (including any interest due) in not more than one year. Installments in no case should be less than five dollars for each agreed upon installment period. The amount deducted must remain constant except for the final deduction, which may cover the balance due in an amount less than a regular deduction.

2. The payment should be as large as the employee's personal financial situation will permit. Except in extreme circumstances, the payment should be large enough to liquidate the indebtedness in full (including any interest due) in not more than one year. Installments in no case should be less than five dollars for each agreed upon installment period. The amount deducted must remain constant except for the final deduction, which may cover the balance due in an amount less than a regular deduction.

c. Rights in the employee. Where the General Counsel has determined to leave the domestic rights in and to an invention with an employee subject to a license in favor of the Government and the employee acquiesces in this determination, the General Counsel will, upon the filing of an application for patent and pending review of the determination by the Commissioner, obtain for the Government a non-exclusive, irrevocable, royalty-free license in the invention with power to grant licenses for all governmental purposes, without prejudice to the subsequent acquisition by the Government of the entire domestic rights, title, and interest in and to, the invention should the Commissioner so decide.

.10 Scope of Section. The provisions of this section apply to any invention made by an employee on or after January 23, 1950.

SECTION 4. INDEBTEDNESS TO THE UNITED STATES GOVERNMENT.

.01 Purpose. The purpose of this section is to prescribe Departmental policy and procedure relating to indebtedness of an employee to the United States Government other than an indebtedness arising out of an erroneous payment of pay collection of which is waived under 5 U.S.C. 5584 (see Administrative Order 202-558).

.02 Legal Basis. Section 6331 of the Internal Revenue Code of 1954, approved August 16, 1954 (68A Stat.783; 26 U.S.C. 6331), authorizes involuntary deductions from the salary of a Government officer or employee who is delinquent in paying his Federal income tax. 5 U.S.C. 5514 authorizes involuntary deductions from any employee's salary for indebtedness to the Government resulting from overpayment by the agency concerned. In addition, where the Government is both debtor and creditor with respect to an employee, the Government has a right to set off the indebtedness to the Government against the indebtedness of the Government to the employee in settling accounts. (See R. S. 236; Act of June 10, 1921, 42 Stat. 24; 31 U.S.C. 71, and 33 Comp. Gen. 443.)

.03 Policy. Timely payment of any indebtedness to the Government of the United States is an important personal responsibility of each employee concerned. Any employee who fails to liquidate such indebtedness promptly when due is a source of embarrassment to the Department and will be subject to seizure of salary and to appropriate disciplinary action, which may include removal.

.04 Procedure.

a. Responsibility. By virtue of the Department Organization Order 20-8, the authority for administering these regulations is vested in the Director of Personnel. Such authority is redelegated by Administrative Order 202-250 to appointing officers who may be assisted or represented by such responsible officials as they may deem appropriate. The person exercising such authority shall be designated as Department representative.

b. Initial contact with employee. Where a complaint is received concerning, or an error is found creating, an indebtedness to the United States, such information will be referred to the Department representative. The Department representative will confer with the employee concerned and advise him of the Department's policy regarding the liquidation of indebtedness.

appointing officers who may be assisted or represented by such responsible officials as they may deem appropriate. The person exercising such authority shall be designated as Department representative.

b. Initial contact with employee. Where a complaint is received concerning, or an error is found creating, an indebtedness to the United States, such information will be referred to the Department representative. The Department representative will confer with the employee concerned and advise him of the Department's policy regarding the liquidation of indebtedness.

facts and his arguments. He may expedite such consideration by notifying the Commissioner when he does not intend to file a reply to the agency report. After a hearing on the appeal, if a hearing was requested, or after expiration of the period for the inventor's reply to the agency report if no hearing is set, the Commissioner shall issue a decision on the matter, which decision shall be final after the period for asking reconsideration expires or on the date that a decision on a petition for reconsideration is finally disposed of. Any request for reconsideration or modification of the decision must be filed within 30 days from the date of the original decision (or within such an extension thereof as may be set by the Commissioner before the original period expires). The Commissioner's decision shall be made after consideration of the statements of fact in the employee's appeal, the agency's report, and the employee's reply, but the Commissioner, at his discretion and with due respect to the rights and convenience of the inventor and the Government agency, may call for further statements on specific questions of fact or may request additional evidence in the form of affidavits or depositions on specific facts in dispute.

c. Petitions not involving appeals. In the event it is determined that the rights in and to an invention are to be left with the employee, a report of such determination is required to be submitted to the Commissioner of Patents for review. The Commissioner will review the determination and his decision respecting the matter shall be final, subject to the right of the employee to submit to the Commissioner within 30 days (or such longer period as the Commissioner may, for good cause, fix in any case) after receiving notice of the decision, a petition for reconsideration if the Commissioner's decision gives the Government greater rights than the original determination. Copies of such petitions will be filed with the head of the operating unit and the General Counsel.

.09 Patent Protection.

a. General. The General Counsel, upon determining that an invention has been made under the conditions specified in subparagraph .07a. of this section, shall determine whether patent protection will be sought in the United States by the Department of Commerce for such invention. A controversy over the respective rights of the Government and of the inventor in any case shall not delay the taking of any action seeking such patent protection. In cases where it is determined that the domestic rights in and to the invention are to be left with the employee, action by the Department of Commerce looking toward such patent protection shall be contingent upon the consent of the inventor.

b. Dispute as to rights. Where there is a dispute as to whether the Government is to obtain an assignment of the domestic rights in and to the invention or only a license thereunder, the General Counsel will determine whether patent protection will be sought in the United States pending the Commissioner's decision on the dispute. If the General Counsel decides that an application for patent should be filed, he will obtain for the Government a non-exclusive, irrevocable, royalty-free license in the invention with power to grant licenses for all governmental purposes, but this shall be without prejudice to acquiring an assignment to the Government of the entire domestic right, title, and interest in and to the invention should the Commissioner so decide.

or only a license thereunder, the General Counsel will determine whether patent protection will be sought in the United States pending the Commissioner's decision on the dispute. If the General Counsel decides that an application for patent should be filed, he will obtain for the Government a non-exclusive, irrevocable, royalty-free license in the invention with power to grant licenses for all governmental purposes, but this shall be without prejudice to acquiring an assignment to the Government of the entire domestic right, title, and interest in and to the invention should the Commissioner so decide.

For all other employees, the Government must establish that the conditions of subparagraph .07a., if present, are sufficient equitably to require an assignment to the Government of the invention and to any patent which may issue thereon.

g. Foreign rights. An assignment of the foreign rights in and to the invention shall be made by the employee, upon request, whenever an assignment of the domestic rights is required.

.08 Appeals and Petitions.

a. Appeals. Any employee who is aggrieved by a determination of the General Counsel as to his rights to or in an invention he has made may obtain a review of the determination by filing two copies of a written appeal with the Commissioner of Patents within 30 days after receiving notice of the determination (or such longer period as the Commissioner may, for good cause, fix in any case). The decision of the Commissioner of Patents upon any appeal made to him shall be final, after the period for asking reconsideration expires. Any request by the inventor for reconsideration must be filed with the Commissioner within 30 days from the date of the original decision of the Commissioner (or within such an extension thereof as may be set by the Commissioner before the original period expires).

b. Agency report on appeal. In the event any employee files an appeal, the General Counsel shall furnish the Commissioner of Patents, with a copy to the employee, the following information:

1. Description of the invention in sufficient detail to permit a satisfactory review;

2. Name of the inventor and his employment status, including a detailed statement of his official duties and responsibilities at the time of making the invention;

3. A statement of the agency determination and reasons therefor; and

4. A detailed statement of the points of dispute or controversy, together with copies of any statement or written arguments filed with the agency, and of any other relevant evidence that the agency considered in making its determination of Government interest. Within 25 days (or such longer period as the Commissioner may, for good cause shown, fix in any case) after the transmission of a copy of the agency report to the employee, the employee may file a reply thereto with the Commissioner and file one copy thereof with the agency. After the time for the inventor's reply to the Government agency's report has expired and if the inventor has so requested in his appeal, a date will be set for the hearing of oral arguments by the employee (or by an attorney whom he designates by written power of attorney filed before, or at the hearing) and a representative of the Government agency involved. The hearing will be conducted by the Commissioner, an Assistant Commissioner, or a hearing officer designated by the Commissioner. Unless it shall be otherwise ordered before the hearing begins, oral arguments will be limited to thirty minutes for each side. The employee need not retain an attorney or request an oral hearing to secure full consideration of the

before, or at the hearing) and a representative of the Government agency involved. The hearing will be conducted by the Commissioner, an Assistant Commissioner, or a hearing officer designated by the Commissioner. Unless it shall be otherwise ordered before the hearing begins, oral arguments will be limited to thirty minutes for each side. The employee need not retain an attorney or request an oral hearing to secure full consideration of the

section exist, the domestic rights and, in the discretion of the General Counsel, foreign rights in and to the invention shall belong to the Government if:

(1) The conditions are equitably sufficient to justify assignment thereof by the employee to the Government; and

(2) The Government has sufficient interest in the invention to require assignment thereof by the employee.

Where the Government would otherwise be entitled to an assignment, if it should be found that such assignment should not be required because of lack of sufficient interest in the invention on the part of the Government, the employee nevertheless shall be required to grant to the Government a non-exclusive, irrevocable, royalty-free license in the invention and under any patents which may issue thereon, with power to grant licenses for all governmental purposes.

d. Entire title to invention left to employee. When none of the conditions set forth in subparagraph .07a. of this section exist, the entire right, title, and interest in and to the invention shall be left in the employee, subject to law.

e. When conditions for assignment are presumed to exist. It shall be presumed that the conditions of subparagraph .07a. of this section exist when the employee is employed or assigned:

(1) To invent or improve or perfect any process, machine, manufacture, design, or composition of matter;

(2) To conduct or perform research or development work, or both;

(3) To supervise, direct, coordinate or review Government-financed or conducted research or development work, or both; or

(4) To act in a liaison capacity among governmental or non-governmental agencies or individuals engaged in such research or development work, or both.

This presumption may be rebutted by the facts or circumstances attendant upon the conditions under which any particular invention is made and shall not preclude a determination (1) that the Government shall leave the entire right, title and interest in and to the invention in the employee, subject to law, or (2) that title shall be left in the employee subject to a license to the Government as set forth in subparagraph .07c. of this section.

f. Burden of proof. Employees assigned for any one or more of the purposes enumerated in subparagraph .07e. of this section may submit evidence that will enable the General Counsel to establish the absence of any one or more of the conditions of subparagraph .07a. of this section, or that the conditions which exist are insufficient equitably to justify a requirement that assignment be made to the Government of the invention and any patent which may issue thereon.

or (2) that title shall be left in the employee subject to a license to the Government as set forth in subparagraph .07c. of this section.

f. Burden of proof. Employees assigned for any one or more of the purposes enumerated in subparagraph .07e. of this section may submit evidence that will enable the General Counsel to establish the absence of any one or more of the conditions of subparagraph .07a. of this section, or that the conditions which exist are insufficient equitably to justify a requirement that assignment be made to the Government of the invention and any patent which may issue thereon.

b. The head of each operating unit or his designee shall submit to the General Counsel all descriptions of inventions furnished by employees.

c. The General Counsel shall maintain a docket of all employee inventions and take steps to obtain appropriate information on Forms CD-240, "Invention Disclosure," and CD-241, "Invention Evaluation," on these inventions.

.07 Determination of Rights.

a. Conditions for assignment. The Department of Commerce may require assignment to the Government of the entire right, title, and interest in and to inventions made by its employees and to any patents that may be issued on such inventions if it is established that any of the following conditions are present and are sufficiently equitable to justify requirement of assignment:

1. If the invention was made during working hours;

2. If the invention was made with a contribution by the Government of facilities, equipment, materials, funds, or information, or of time or services of other Government employees on official duty; or

3. If the invention bears a direct relation to or was made in consequence of the official duties of the inventor.

b. Definitions of conditions. In determining whether any of the conditions set forth above were present in the making of the invention, the following definitions shall apply:

1. Work hours shall mean time spent during either the usual working hours, or overtime, or both;

2. A contribution of facilities, equipment, materials, or funds shall mean that Government facilities, equipment, materials, or funds were actually used in connection with the invention;

3. A contribution of information shall mean that the information used in making the invention was available only by reason of the inventor's official duties and was obtained from sources not otherwise available;

4. A contribution of time and services of other Government employees on official duty shall mean that their time or services were utilized during work hours as defined above; and

5. Bearing a direct relation to or made in consequence of the official duties of the inventor means that the duties to which the inventor had been assigned were such that the invention could reasonably be expected to arise therefrom.

c. When assignment is required. When any of the conditions set forth in subparagraph .07a. of this section as defined in subparagraph .07b. of this

duties of the inventor means that the duties to which the inventor had been assigned were such that the invention could reasonably be expected to arise therefrom.

c. When assignment is required. When any of the conditions set forth in subparagraph .07a. of this section as defined in subparagraph .07b. of this

.03 Policy of the Department. It is the policy of the Department of Commerce to encourage invention by its employees and to take full cognizance of the rights and interests of its employee-inventors, within the limitation of its authority, in making determinations of the respective rights and equities of the Government and of the inventor in an invention made by an employee of the Department of Commerce.

.04 Definitions. For purposes of this section, the following definitions shall apply:

a. "Government employee" or "employee" is any officer or employee of the Department, including any part-time consultant or part-time employee except as otherwise may be provided by contract, regulation, or practice approved by the Commissioner of Patents; and

b. "Invention" means any art, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the patent laws of the United States.

.05 Assignment of Responsibilities.

a. In discharging its responsibilities in connection with the uniform patent policy, the Department of Commerce is charged with:

1. Determining whether the results of research, development or other activity within the Department constitute invention within the purview of Executive Order 10096, as amended by Executive Order 10930, of March 24, 1961;

2. Determining, subject to review by the Commissioner of Patents, the respective rights of the Government and of the inventor in and to any invention made by an employee of the Department of Commerce;

3. Determining, subject to certain exceptions hereafter noted, whether patent protection will be sought by the Department of Commerce for such inventions; and

4. Furnishing reports as required to the Commissioner of Patents with respect to the determination of rights, the taking of appeals, the filing of applications, and the issuance of patents.

b. The General Counsel will carry out these responsibilities for the Department and will also serve as the Department's liaison officer to deal with the Commissioner of Patents on these and other matters pertaining to employee inventions. In the discharge of his responsibilities as enumerated in subparagraph .05a. of this section exclusive of subparagraph .05a.4., the General Counsel may utilize such representatives, boards, and committees as he deems appropriate, or may delegate his authority in such manner as he deems desirable.

.06 Determination of Invention.

a. Every employee of the Department who believes he has made an invention shall promptly furnish a full description thereof in writing to the head of his operating unit, or to his designee for this purpose.

.06 Determination of Invention.

a. Every employee of the Department who believes he has made an invention shall promptly furnish a full description thereof in writing to the head of his operating unit, or to his designee for this purpose.

c. An employee who intends to participate in a program such as is described in paragraph .03 of this section shall give written notice of such intention to the General Counsel or his designee, or to the head of his operating unit, as appropriate in connection with an application for authorization (see subparagraphs .04a. and .04b. of this section). In each instance a copy of such notice shall be transmitted to the General Counsel.

SECTION 3. EMPLOYEE INVENTIONS.

.01 Purpose. The purpose of this section is to prescribe the regulations of the Department of Commerce with respect to patent rights in and to inventions made by employees of the Department.

.02 Legal Background and Authority.

a. Executive Order 10096, as amended.

1. Executive Order 10096 of January 23, 1950 (15 F.R. 391), established uniform patent policy with respect to inventions made by employees of the Federal Government under which the Government may acquire title to inventions made by its employees under certain conditions, while providing for the partial or complete retention of rights by employees under other conditions. This order, which established a Government Patents Board, authorized its Chairman to issue, with the approval of the President, such rules and regulations as are necessary to the administration of uniform patent policy with respect to inventions made by employees throughout the Government.

2. The President, by Executive Order 10930, dated March 24, 1961 (26 F.R. 2583, March 28, 1961), abolished the Government Patents Board, including the Office of the Chairman, and transferred its functions to the Secretary of Commerce. The authority to perform such functions was delegated on the same date, March 24, 1961, by the Acting Secretary of Commerce, to the Commissioner of Patents (26 F.R. 3118, April 12, 1961).

3. Executive Order 10096, as amended, provides that each Government department and independent establishment is directed to take all steps necessary to effectuate the Executive Order, including the issuance of necessary regulations consistent with provisions of the Executive Order and the rules and regulations issued thereunder by the Commissioner.

b. Rules and regulations. Basic Government patent policy with respect to inventions made by Government employees is administratively restated in 100-178 Part 300, Chapter III, Title 37, Code of Federal Regulations, 37 C.F.R. 300.1-300.11; (27 F. R. 3289, April 6, 1962), but therein are set forth, as approved by the President, February 6, 1962, the responsibilities of Government agencies and procedures to be followed. These responsibilities include (1) the determination of invention, (2) the determination of rights in inventions, (3) administrative appellate rights of employee-inventors, (4) the determination as to whether patent protection will be sought, and (5) the furnishing of certain reports to the Commissioner of Patents.

(2) the determination of rights in inventions, (3) administrative appellate rights of employee-inventors, (4) the determination as to whether patent protection will be sought, and (5) the furnishing of certain reports to the Commissioner of Patents.

d. Each supervisor is responsible for overseeing employee activity in order to assure that the public interest is protected, and he shall take appropriate action whenever it appears to him that there is or may be a question of compatibility between the official duties and the outside employment of one of his subordinates.

.03 Procedure.

a. Private practice of law. Except as provided in subparagraphs .02b. and .02c. of this section, full-time employees, whether occupying legal positions or not, who desire to engage in the private practice of law shall submit in writing a request for a decision. Each request shall include (1) a brief description of his official title and nature of work; (2) whether he holds himself out to the public as a practitioner of law by maintaining a publicly listed place of business, or a mail or answering service for such purpose, or by affiliating himself with others engaged in private practice of law; (3) whether he has regular part-time employment as an attorney for any business or other organization; and (4) a description of the nature and extent of the private practice or legal work to be performed. The request shall be addressed to the General Counsel of the Department, who serves as counselor for the Department with respect to matters covered by Department Administrative Order 202-735, or to an appropriate deputy counselor designated by the General Counsel. The following have been designated as deputy counselors for this purpose by the General Counsel:

Deputy General Counsel of the Department
Assistant General Counsels of the Department
General Counsel, National Oceanic and Atmospheric Administration
Solicitor, Patent Office
General Counsel, Maritime Administration
Chief Counsel, Economic Development Administration
Chief Counsel, Office of Foreign Direct Investments

The counselor or a deputy counselor will promptly issue a written decision to the applicant. In the event of an adverse decision, the decision will explain, insofar as practicable, why the proposed private practice or legal work is deemed incompatible with the employee's official duties and what, if anything, may be done by the employee to bring the proposal within the bounds of compatibility. Each deputy counselor issuing such a decision shall transmit a copy thereof, with a copy of the employee's request, to the counselor. A copy of the decision shall be filed in the employee's official personnel folder.

b. Other outside employment. For any outside employment other than the private practice of law which gives rise to a question of compatibility as described in subparagraph .01b. of this section, each employee shall submit a request in writing for a decision to the head of the operating unit concerned or his designated representative. The request shall contain a brief description of the employee's official duties and sufficient details of the nature and extent of his outside employment for an informed decision to be made. The head of such operating unit may consult with the counselor or a deputy counselor and shall promptly issue a written decision to the applicant. A copy of the decision shall be filed in the employee's official personnel folder.*

(Text continued on page 3)

Amendment 1
October 6, 1970

and sufficient details of the nature and extent of his outside employment for an informed decision to be made. The head of such operating unit may consult with the counselor or a deputy counselor and shall promptly issue a written decision to the applicant. A copy of the decision shall be filed in the employee's official personnel folder.*

(Text continued on page 3)

Amendment 1
October 6, 1970

b. A question of compatibility arises where an employee's outside work is of such a nature that it involves, tends to involve, or appears to involve, (1) a conflict of interest (regardless of when the work activity takes place), or (2) a holding out by the employee of his availability for outside work or communication about it without an indication that he is not available during his hours of duty, or (3) any of the following matters during hours of duty (including overtime hours) for which the employee is expected to be available: (a) communication with other parties or their access to the employee with respect to the outside work; (b) his engaging in outside work or activity connected with it; (c) impairment of his mental or physical capacity to discharge his Governmental duties and responsibilities in an acceptable manner; or (d) other activity which may create a problem of supervision or management in connection with the discharge of his official duties (e.g., need for absences from duty, inattention to duty, preoccupation with outside employment, and the like).

c. Where a question of compatibility with his official duties may be created by an employee's outside employment, the employee shall consult the counselor or a deputy counselor designated under paragraph 0.735-38 of Department Administrative Order 202-735 (see paragraph .03 of this section), prior to undertaking or continuing such outside employment, and obtain a decision with respect to the compatibility of the outside employment with the employee's official duties.

.02 Special Policy: Private Practice of Law.

a. Except as is otherwise provided in subparagraphs b. and c. of this paragraph .02, the private practice of law generally is of such nature that, when engaged in by a full-time employee of the Department, it gives rise to a question of compatibility with the discharge of his official duties, which must be resolved. A decision on compatibility shall be obtained as specified in paragraph .03 of this section.

b. It is the policy of the Department to encourage employees qualified to practice law to participate, in off-duty hours and to the extent consistent with the discharge of their official duties, without compensation for their services in a program to provide legal assistance or representation to poor persons. Such participation shall not include representation or assistance in any criminal or other matter or proceeding in which the United States (including the District of Columbia Government) is a party or has a direct interest. An employee who intends to participate in such a program is not required to obtain a decision on compatibility but shall give written notice to the counselor or deputy counselor concerned (see paragraph .03 of this section) of his intention.

c. When the private practice of law (1) cannot possibly involve any of the considerations described in subparagraph .01b. of this section, (2) is limited to occasional handling of legal matters which do not involve the interests of the Government (e.g., wills and private real estate transactions), and (3) is limited to clients whose interests cannot be affected directly or indirectly by the employee's performance of his official duties, the private practice of law will not be deemed to give rise to a question of compatibility, and no decision with respect to compatibility need be requested.

Amendment 1

October 6, 1970

considerations described in subparagraph .01b. of this section, (2) is limited to occasional handling of legal matters which do not involve the interests of the Government (e.g., wills and private real estate transactions), and (3) is limited to clients whose interests cannot be affected directly or indirectly by the employee's performance of his official duties, the private practice of law will not be deemed to give rise to a question of compatibility, and no decision with respect to compatibility need be requested.

Amendment 1

October 6, 1970

FORM SEC-288 (11-68)

TRANSMITTAL 57

United States of America DEPARTMENT OF COMMERCE	DEPARTMENT ADMINISTRATIVE ORDER 202-735-A	
DEPARTMENT ADMINISTRATIVE ORDER SERIES	DATE OF ISSUANCE November 5, 1969	EFFECTIVE DATE November 5, 1969

SUBJECT

EMPLOYEE RESPONSIBILITIES AND CONDUCT

Section 1. Purpose
Section 2. *Outside Employment*
Section 3. Employee Inventions
Section 4. Indebtedness to the United States Government
Section 5. Indebtedness to a State or Local Government or to a Credit Union
Section 6. Private Indebtedness
Section 7. Effect on Other Orders

SECTION 1. PURPOSE.

.01 The purpose of this order is to prescribe instructions to supplement Departmental regulations on employee responsibilities and conduct approved by the Civil Service Commission, as set forth in Department Administrative Order 202-735 (formerly Department Order 77, 15 CFR 0.735-1 - 0.735-41). These supplementary instructions are issued in accordance with 5 U.S.C. 301 and paragraph 0.735-32 of Department Administrative Order 202-735.

.02 The instructions in this order relate to (a) certain outside employment or other activity, (b) employee inventions, and (c) indebtedness of employees.

.03 The instructions relating to outside employment or activity are *revised to clarify the basis for the requirement for determinations of compatibility with respect to outside employment.* The instructions relating to employee inventions are a restatement of existing regulations without substantial change. The instructions relating to indebtedness of employees are a restatement of existing regulations without substantial change except as necessary in section 6 to bring them into alignment with paragraph 0.735-16 of Department Administrative Order 202-735.

SECTION 2. *OUTSIDE EMPLOYMENT.

.01 General Policy.

a. Department Administrative Order 202-735 prohibits outside employment by Department employees which is not compatible with the full and proper discharge of the duties and responsibilities of their Government employment. Two of the principles implicit in that general policy are that (1) outside work engaged in by employees must not involve a conflict of interest, and (2) it must not interfere with or be detrimental to the efficient discharge of the official duties of employees during the hours they are expected to be available to perform the work of the Department.

Amendment 1
October 6, 1970

USCOMM-DC 4271-P68

discharge of the duties and responsibilities of their Government employment. Two of the principles implicit in that general policy are that (1) outside work engaged in by employees must not involve a conflict of interest, and (2) it must not interfere with or be detrimental to the efficient discharge of the official duties of employees during the hours they are expected to be available to perform the work of the Department.

Amendment 1
October 6, 1970

USCOMM-DC 4271-P68

FORM CO-1 (11-63) (PRES. BY A.O. 276-10)

UNITED STATES GOVERNMENT

Memorandum

U.S. DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY

TO : Assistant General Counsel
for Science and Technology

DATE: Sept. 30, 1965

In reply refer to:

FROM : General Counsel

SUBJECT: Delegation of Authority Relating to Commerce Department Inventions.

By virtue of the authority vested in the General Counsel by subparagraph 5.02 of Administrative Order 201-8 (Revised), dated July 26, 1962, I hereby delegate to the Assistant General Counsel for Science and Technology, without powers of subdelegation, the authority to:

1. Determine whether the results of research, development or other activity within the Commerce Department constitutes invention;

2. Determine, subject to review by the Commissioner of Patents, the respective rights of the Government and of the inventor in and to any invention made by an employee of the Commerce Department; and

3. Determine, subject to the exceptions noted in the Order, whether patent protection will be sought by the Commerce Department for such inventions.

The authority hereby conveyed shall be exercised in accordance with the policies and procedures set forth in Executive Order 10096, as revised by Executive Order 10930, and in Administrative Order 201-8 (Revised).

All previous delegations of authority by the General Counsel of the Department of Commerce regarding the same or similar subject matter are hereby canceled.

BUY U.S. SAVINGS BONDS REGULARLY ON THE PAYROLL SAVINGS PLAN

BUY U.S. SAVINGS BONDS REGULARLY ON THE PAYROLL SAVINGS PLAN

FORM SEC-228 (11-69)

TRANSMITTAL 286

United States of America
DEPARTMENT OF COMMERCE

DEPARTMENT
ADMINISTRATIVE ORDER 202-452

DEPARTMENT ADMINISTRATIVE ORDER SERIES

DATE OF ISSUANCE	EFFECTIVE DATE
June 3, 1977	June 3, 1977

SUBJECT

INCENTIVE AWARDS FOR FEDERAL INVENTORS

SECTION 1. PURPOSE.

The purpose of this order is to set forth the policies and procedures for the granting of incentive awards to Federal inventors.

SECTION 2. GENERAL PROVISIONS.

Pursuant to the provisions of this order, incentive awards shall be granted to Federal inventors in order to: (1) compensate equitably and recognize Federal inventors, and (2) encourage Federal inventors to disclose commercially promising inventions and facilitate the transfer and utilization of related technology for public use.

SECTION 3. PRIMARY RESPONSIBILITY.

Pursuant to its authority under Department Organization Order 30-7A, as amended, the National Technical Information Service (NTIS) shall have the primary operational responsibility for the granting of incentive awards to Federal inventors under this order.

SECTION 4. ELIGIBILITY.

.01 All civil service employees, as defined under 5 U.S.C. 2105, employees of the government of the District of Columbia, and members of the commissioned corps of the National Oceanic and Atmospheric Administration (NOAA) and the United States Public Health Service (PHS) (hereinafter "civil service employees") shall be eligible to receive awards pursuant to this order after their employing agency or Department has entered into an appropriate cooperative agreement with NTIS. Among other things, such cooperative agreements shall contain provisions that transfer custody of inventions owned by the United States to the Department of Commerce in order to permit NTIS to license those inventions.

.02 Pursuant to Executive Order 11438, 3 CFR 755 (1966-70 Comp.), 10 U.S.C. 1124 (1970), a recommendation may be made to the Department of Defense, or to the Department of Transportation in the case of a member of the Coast Guard when it is not operating as a service in the Navy, that a cash award under this order be made to a member of the armed forces, as defined under 5 U.S.C. 2101(2).

USCOMM-DC 4271-P69

Department of Transportation in the case of a member of the Coast Guard when it is not operating as a service in the Navy, that a cash award under this order be made to a member of the armed forces, as defined under 5 U.S.C. 2101(2).

USCOMM-DC 4271-P69

SECTION 5. AUTHORITY.

.01 Awards to civil service employees shall be granted pursuant to 5 U.S.C. 4501-4506, and regulations issued thereunder by the Civil Service Commission at 5 CFR Part 451.

.02 Awards to members of the armed forces may be recommended pursuant to the provisions of Executive Order 11438.

.03 Pursuant to Department Organization Order 30-7A, as amended, the Director, NTIS has been delegated the authority to approve and pay cash awards not exceeding $5,000 to civil service employee-inventors and to recommend to the Department of Defense, or to the Secretary of Transportation in the case of a member of the Coast Guard when it is not operating as a service in the Navy, that a cash award not exceeding $25,000 be granted to a member of the armed forces pursuant to Executive Order 11438.

SECTION 6. RELATIONSHIP TO EXISTING AWARDS PROGRAMS.

An incentive award to an inventor under the provisions of this order will be supplemental to and cumulative with any other incentive award granted to the inventor under Civil Service Commission regulations. Presently, initial awards between $50 to $300 are often made to the inventor by the employing agency at the time of filing the patent application covering an invention or at the time a patent issues on an invention.

SECTION 7. DESCRIPTION OF THE AWARD.

.01 Awards for civil service employees:

a. Upon execution of a royalty-bearing license agreement by NTIS, the inventor, or inventors in the case of a jointly made invention, whose invention is covered by the license agreement, shall be entitled to receive a cash award under the provisions of this order.

b. The amount of the award shall be determined through the inter-agency coordination process described at section 8.01 of this order. For each year during which the royalty-bearing license agreement is effective, the inventor or inventors shall be entitled to receive a minimum cash award of $300. Where an award in excess of $300 is contemplated, the total annual award to an inventor for a single invention shall not exceed fifteen percent (15%) of the annual gross revenues received by NTIS under the license agreement covering that invention.

c. In the event the cumulative cash awards for a single invention exceed $5,000 but do not exceed $25,000, the Director, NTIS shall prepare a recommendation from the Secretary of Commerce to the

invention.

c. In the event the cumulative cash awards for a single invention exceed $5,000 but do not exceed $25,000, the Director, NTIS shall prepare a recommendation from the Secretary of Commerce to the

Chairman of the Civil Service Commission for approval of the award. Pursuant to 5 U.S.C. 4504, in those instances where, based upon the exceptional value and benefit of the inventor's contribution, a cumulative award for a single invention in excess of $25,000 is warranted, the Director, NTIS, shall prepare a recommendation from the Secretary of Commerce to the Chairman of the Civil Service Commission, and to the Director of the Office of Management and Budget, that a Presidential award be made. Upon endorsement by both the Chairman of the Civil Service Commission and the Director of the Office of Management and Budget, the President may grant a cumulative award in excess of $25,000, and honorary recognition may be granted as deemed appropriate.

d. All recommendations for awards prepared for the Secretary by the Director, NTIS in accordance with subparagraph 7.01c., above, shall be reviewed by the Department's Incentive Awards Board before they are submitted to the Secretary for consideration.

.02 Awards for members of the armed forces:

a. Upon the execution of a royalty-bearing license agreement by NTIS covering an invention made by a member of the armed forces, the Director, NTIS shall, pursuant to Executive Order 11438, recommend to the Department of Defense, or to the Department of Transportation in the case of a member of the Coast Guard when that agency is not operating as a service in the Navy, that a cash award be granted. The amount of the award recommended shall be determined through the interagency coordination process described in paragraph 8.01 below. For each year during which a royalty-bearing license agreement is effective, it shall be suggested that at a minimum an award of $300 be paid. Where an award in excess of $300 is contemplated, the total annual suggested award shall not exceed fifteen percent (15%) of the annual gross revenues received by NTIS under the license agreement covering the invention.

b. Any cash award granted to a member of the armed forces shall be made in accordance with the provisions of Executive Order 11438.

.03 The Director, NTIS, shall establish procedures for the orderly and efficient granting of incentive awards under this order. Such procedures shall include provisions for the preparation and maintenance of accurate records of all awards made under the provisions of this order. Records shall be prepared and maintained with respect to each invention which becomes the subject of an award under this order. These records shall help to ensure that limitations on the dollar amounts of awards are not exceeded, and that appropriate approvals for certain awards are obtained as required.

SECTION 8. GRANTING AWARDS.

.01 Interagency coordination of awards:

...ds are not exceeded, and that
appropriate approvals for certain awards are obtained as required.

SECTION 8. GRANTING AWARDS.

.01 Interagency coordination of awards:

a. To ensure that awards criteria are uniformly applied, interagency coordinating meetings will periodically be held at the call of the Director, NTIS, to review the program. The senior patent counsel from each participating agency, or a designee, and the Director, NTIS, or a designee, shall participate in these reviews.

b. The amount of the monetary award for each invention shall be jointly determined, pursuant to policies established at the interagency coordinating meetings, by the senior patent counsel from the inventor's agency and the Director, NTIS, or their designees, who shall apply the awards criteria described in paragraph 8.02, below.

.02 Criteria for monetary awards:

In determining the amount of the award, factors such as the following shall be considered:

a. the extent to which the invention advances the state of the art;

b. the scope of its application;

c. the importance of the invention in terms of its value and benefits to the Government and the public; and

d. the contribution that the inventor(s) makes to the private sector utilization of the invention by assisting in the transfer of the technology to prospective licensees.

.03 Procedures for granting of awards:

a. Procedures for granting of awards by NTIS shall be specified in the applicable interagency cooperative agreement which shall be consistent with the provisions of 5 CFR 451.309 with regard to awards to civil service employees and with the provisions of Executive Order 11438 with regard to awards to members of the armed forces.

b. The initial award to the inventor shall normally be made at a formal presentation ceremony following the execution by NTIS of the first license agreement on the invention. A plaque or certificate shall accompany the cash payment. The presentation will be made either by the Director, NTIS, or by the Director of the employing agency, or their designees. The ceremony shall normally occur at the inventor's place of work.

c. Subsequent awards to the inventor, in addition to the $300 minimum annual award, shall be based on additional utilization of the invention, and shall be made annually for as long as a royalty-bearing license agreement covering the inventor's invention is in effect.

c. Subsequent awards to the inventor, in addition to the $300 minimum annual award, shall be based on additional utilization of the invention, and shall be made annually for as long as a royalty-bearing license agreement covering the inventor's invention is in effect.

d. When an invention is attributable to more than one inventor, the award shall be divided among the joint inventors pursuant to subparagraph 8.02 of this order.

SECTION 9. FUNDING OF AWARD PAYMENTS.

The NTIS patent program is currently funded primarily from appropriated funds. In seeking to increase the transfer of Government technology through the licensing of patents covering Government-owned inventions, NTIS is striving to develop a self-sustaining program in which fees and royalty income will offset program costs. Award payment under this order, as one of the costs of the patent program operation, will only be made from available royalty income derived from the licenses.

Director, National Technical
Information Service

Approved:

Assistant Secretary for Administration

Office of Primary Interest
National Technical Information Service

Index Changes:

Add:

Federal Inventors, Incentive Awards for	202-452
Incentive Awards for Federal Inventors	202-452
Inventors, Incentive Awards for Federal	202-452

USCOMM-DC - 58486

[illegible], Incentive Awards for Federal 202-452

USCOMM-DC - 58486

FORM SEC-285 (11-69)

TRANSMITTAL 377

United States of America DEPARTMENT OF COMMERCE	DEPARTMENT ADMINISTRATIVE ORDER 202-452 Amendment 1	
DEPARTMENT ADMINISTRATIVE ORDER SERIES	DATE OF ISSUANCE May 5, 1981	EFFECTIVE DATE May 4, 1981
SUBJECT	INCENTIVE AWARDS FOR FEDERAL INVENTORS	

Department Administrative Order 202-452 of June 3, 1977 is hereby amended as shown below. The purpose of this amendment is to authorize the Director, NTIS to approve and pay awards not exceeding $10,000 (paragraph 5.03); and change references to the Civil Service Commission throughout the Order as appropriate.

1. SECTION 5. AUTHORITY. In pen and ink, change the title "Civil Service Commission" appearing in paragraph 5.01 to "Office of Personnel Management;" and change the "$5,000" appearing in the third line of paragraph .03 to "$10,000."

2. SECTION 6. RELATIONSHIP TO EXISTING AWARDS PROGRAMS. In pen and ink, change the title "Civil Service Commission" to "Office of Personnel Management."

3. SECTION 7. DESCRIPTION OF THE AWARD. In pen and ink, in subparagraph .01c., change the title "Chairman of the Civil Service Commission" to "Director of the Office of Personnel Management."

Director, National Technical Information Service

Approved:

Acting Assistant Secretary for Administration

USCOMM-DC 0 81-3295

USCOMM-DC 4271-P69

USCOMM-DC 0 81-3295

USCOMM-DC 4271-P69

FORM SEC-265 (11-69)

TRANSMITTAL 57

United States of America DEPARTMENT OF COMMERCE	DEPARTMENT ADMINISTRATIVE ORDER 202-735A Amendment 1	
DEPARTMENT ADMINISTRATIVE ORDER SERIES	DATE OF ISSUANCE October 6, 1970	EFFECTIVE DATE October 6, 1970

SUBJECT

EMPLOYEE RESPONSIBILITIES AND CONDUCT

Department Administrative Order 202-735A, dated November 5, 1969, is hereby amended as follows:

1. Section 2 is amended in its entirety, to change policy with regard to outside employment, including the private practice of law, by inserting revised pages as indicated below.

2. Manual-holder should delete, by pen and ink, subparagraph 2.04c., which appears at the top of page 3.

3. Manual-holder should change, by pen and ink, "Part 300" in line 3 of subparagraph 3.02b. (page 3) to read "Part 100."

Assistant Secretary for Administration

Pages Changed

Remove Pages	Dated	Insert Pages	Dated
1 and 2	(undated)	1, 2 and 2a	10/6/70

USCOMM-DC - 7079

USCOMM-DC 4271-P69

Pages Changed

Remove Pages	Dated	Insert Pages	Dated
1 and 2	(undated)	1, 2 and 2a	10/6/70

USCOMM-DC - 7079

USCOMM-DC 4271-P69

FORM CD-1 (11-61) (PRES. BY A.O. 278-10)

UNITED STATES GOVERNMENT

Memorandum

U.S. DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY

TO : Assistant General Counsel
for Science and Technology

DATE: Sept. 30, 1965

In reply refer to:

FROM : General Counsel

SUBJECT: Delegation of Authority Relating to Commerce Department Inventions

By virtue of the authority vested in the General Counsel by subparagraph 5.02 of Administrative Order 201-8 (Revised), dated July 26, 1962, I hereby delegate to the Assistant General Counsel for Science and Technology, without powers of subdelegation, the authority to:

1. Determine whether the results of research, development or other activity within the Commerce Department constitutes invention;

2. Determine, subject to review by the Commissioner of Patents, the respective rights of the Government and of the inventor in and to any invention made by an employee of the Commerce Department; and

3. Determine, subject to the exceptions noted in the Order, whether patent protection will be sought by the Commerce Department for such inventions.

The authority hereby conveyed shall be exercised in accordance with the policies and procedures set forth in Executive Order 10096, as revised by Executive Order 10930, and in Administrative Order 201-8 (Revised).

All previous delegations of authority by the General Counsel of the Department of Commerce regarding the same or similar subject matter are hereby canceled.



BUY U.S. SAVINGS BONDS REGULARLY ON THE PAYROLL SAVINGS PLAN



BUY U.S. SAVINGS BONDS REGULARLY ON THE PAYROLL SAVINGS PLAN

United States of America
DEPARTMENT OF COMMERCE

DEPARTMENT ADMINISTRATIVE ORDER 202-735-A

DEPARTMENT ADMINISTRATIVE ORDER SERIES

DATE OF ISSUANCE	EFFECTIVE DATE
November 5, 1969	November 5, 1969

SUBJECT

EMPLOYEE RESPONSIBILITIES AND CONDUCT

Section 1. Purpose
Section 2. *Outside Employment*
Section 3. Employee Inventions
Section 4. Indebtedness to the United States Government
Section 5. Indebtedness to a State or Local Government or to a Credit Union
Section 6. Private Indebtedness
Section 7. Effect on Other Orders

SECTION 1. PURPOSE.

.01 The purpose of this order is to prescribe instructions to supplement Departmental regulations on employee responsibilities and conduct approved by the Civil Service Commission, as set forth in Department Administrative Order 202-735 (formerly Department Order 77, 15 CFR 0.735-1 - 0.735-41). These supplementary instructions are issued in accordance with 5 U.S.C. 301 and paragraph 0.735-32 of Department Administrative Order 202-735.

.02 The instructions in this order relate to (a) certain outside employment or other activity, (b) employee inventions, and (c) indebtedness of employees.

.03 The instructions relating to outside employment or activity are *revised to clarify the basis for the requirement for determinations of compatibility with respect to outside employment.* The instructions relating to employee inventions are a restatement of existing regulations without substantial change. The instructions relating to indebtedness of employees are a restatement of existing regulations without substantial change except as necessary in section 6 to bring them into alignment with paragraph 0.735-16 of Department Administrative Order 202-735.

SECTION 2. *OUTSIDE EMPLOYMENT.

.01 General Policy.

a. Department Administrative Order 202-735 prohibits outside employment by Department employees which is not compatible with the full and proper discharge of the duties and responsibilities of their Government employment. Two of the principles implicit in that general policy are that (1) outside work engaged in by employees must not involve a conflict of interest, and (2) it must not interfere with or be detrimental to the efficient discharge of the official duties of employees during the hours they are expected to be available to perform the work of the Department.

Amendment 1
October 6, 1970

discharge of the duties and responsibilities of their Government employment. Two of the principles implicit in that general policy are that (1) outside work engaged in by employees must not involve a conflict of interest, and (2) it must not interfere with or be detrimental to the efficient discharge of the official duties of employees during the hours they are expected to be available to perform the work of the Department.

Amendment 1
October 6, 1970

USCOMM-DC 4271-P69

d. Each supervisor is responsible for overseeing employee activity in order to assure that the public interest is protected, and he shall take appropriate action whenever it appears to him that there is or may be a question of compatibility between the official duties and the outside employment of one of his subordinates.

.03 Procedure.

a. Private practice of law. Except as provided in subparagraphs .02b. and .02c. of this section, full-time employees, whether occupying legal positions or not, who desire to engage in the private practice of law shall submit in writing a request for a decision. Each request shall include (1) a brief description of his official title and nature of work; (2) whether he holds himself out to the public as a practitioner of law by maintaining a publicly listed place of business, or a mail or answering service for such purpose, or by affiliating himself with others engaged in private practice of law; (3) whether he has regular part-time employment as an attorney for any business or other organization; and (4) a description of the nature and extent of the private practice or legal work to be performed. The request shall be addressed to the General Counsel of the Department, who serves as counselor for the Department with respect to matters covered by Department Administrative Order 202-735, or to an appropriate deputy counselor designated by the General Counsel. The following have been designated as deputy counselors for this purpose by the General Counsel:

Deputy General Counsel of the Department
Assistant General Counsels of the Department
General Counsel, National Oceanic and Atmospheric Administration
Solicitor, Patent Office
General Counsel, Maritime Administration
Chief Counsel, Economic Development Administration
Chief Counsel, Office of Foreign Direct Investments

The counselor or a deputy counselor will promptly issue a written decision to the applicant. In the event of an adverse decision, the decision will explain, insofar as practicable, why the proposed private practice or legal work is deemed incompatible with the employee's official duties and what, if anything, may be done by the employee to bring the proposal within the bounds of compatibility. Each deputy counselor issuing such a decision shall transmit a copy thereof, with a copy of the employee's request, to the counselor. A copy of the decision shall be filed in the employee's official personnel folder.

b. Other outside employment. For any outside employment other than the private practice of law which gives rise to a question of compatibility as described in subparagraph .01b. of this section, each employee shall submit a request in writing for a decision to the head of the operating unit concerned or his designated representative. The request shall contain a brief description of the employee's official duties and sufficient details of the nature and extent of his outside employment for an informed decision to be made. The head of such operating unit may consult with the counselor or a deputy counselor and shall promptly issue a written decision to the applicant. A copy of the decision shall be filed in the employee's official personnel folder.*

(Text continued on page 3)

Amendment 1
October 6, 1970

duties and sufficient details of the nature and extent of his outside employment for an informed decision to be made. The head of such operating unit may consult with the counselor or a deputy counselor and shall promptly issue a written decision to the applicant. A copy of the decision shall be filed in the employee's official personnel folder.*

(Text continued on page 3)

Amendment 1
October 6, 1970

b. A question of compatibility arises where an employee's outside work is of such a nature that it involves, tends to involve, or appears to involve, (1) a conflict of interest (regardless of when the work activity takes place), or (2) a holding out by the employee of his availability for outside work or communication about it without an indication that he is not available during his hours of duty, or (3) any of the following matters during hours of duty (including overtime hours) for which the employee is expected to be available: (a) communication with other parties or their access to the employee with respect to the outside work; (b) his engaging in outside work or activity connected with it; (c) impairment of his mental or physical capacity to discharge his Governmental duties and responsibilities in an acceptable manner; or (d) other activity which may create a problem of supervision or management in connection with the discharge of his official duties (e.g., need for absences from duty, inattention to duty, preoccupation with outside employment, and the like).

c. Where a question of compatibility with his official duties may be created by an employee's outside employment, the employee shall consult the counselor or a deputy counselor designated under paragraph 0.735-38 of Department Administrative Order 202-735 (see paragraph .03 of this section), prior to undertaking or continuing such outside employment, and obtain a decision with respect to the compatibility of the outside employment with the employee's official duties.

.02 Special Policy: Private Practice of Law.

a. Except as is otherwise provided in subparagraphs b. and c. of this paragraph .02, the private practice of law generally is of such nature that, when engaged in by a full-time employee of the Department, it gives rise to a question of compatibility with the discharge of his official duties, which must be resolved. A decision on compatibility shall be obtained as specified in paragraph .03 of this section.

b. It is the policy of the Department to encourage employees qualified to practice law to participate, in off-duty hours and to the extent consistent with the discharge of their official duties, without compensation for their services in a program to provide legal assistance or representation to poor persons. Such participation shall not include representation or assistance in any criminal or other matter or proceeding in which the United States (including the District of Columbia Government) is a party or has a direct interest. An employee who intends to participate in such a program is not required to obtain a decision on compatibility but shall give written notice to the counselor or deputy counselor concerned (see paragraph .03 of this section) of his intention.

c. When the private practice of law (1) cannot possibly involve any of the considerations described in subparagraph .01b. of this section, (2) is limited to occasional handling of legal matters which do not involve the interests of the Government (e.g., wills and private real estate transactions), and (3) is limited to clients whose interests cannot be affected directly or indirectly by the employee's performance of his official duties, the private practice of law will not be deemed to give rise to a question of compatibility, and no decision with respect to compatibility need be requested.

Amendment 1

October 6, 1970

to occasional handling of legal matters which do not involve the interests of the Government (e.g., wills and private real estate transactions), and (3) is limited to clients whose interests cannot be affected directly or indirectly by the employee's performance of his official duties, the private practice of law will not be deemed to give rise to a question of compatibility, and no decision with respect to compatibility need be requested.

Amendment 1

October 6, 1970

c. An employee who intends to participate in a program such as is described in paragraph .03 of this section shall give written notice of such intention to the General Counsel or his designee, or to the head of his operating unit, as appropriate in connection with an application for authorization (see subparagraphs .04a. and .04b. of this section). In each instance a copy of such notice shall be transmitted to the General Counsel.

SECTION 3. EMPLOYEE INVENTIONS.

.01 Purpose. The purpose of this section is to prescribe the regulations of the Department of Commerce with respect to patent rights in and to inventions made by employees of the Department.

.02 Legal Background and Authority.

a. Executive Order 10096, as amended.

1. Executive Order 10096 of January 23, 1950 (15 F.R. 391), established uniform patent policy with respect to inventions made by employees of the Federal Government under which the Government may acquire title to inventions made by its employees under certain conditions, while providing for the partial or complete retention of rights by employees under other conditions. This order, which established a Government Patents Board, authorized its Chairman to issue, with the approval of the President, such rules and regulations as are necessary to the administration of uniform patent policy with respect to inventions made by employees throughout the Government.

2. The President, by Executive Order 10930, dated March 24, 1961 (26 F.R. 2583, March 28, 1961), abolished the Government Patents Board, including the Office of the Chairman, and transferred its functions to the Secretary of Commerce. The authority to perform such functions was delegated on the same date, March 24, 1961, by the Acting Secretary of Commerce, to the Commissioner of Patents (26 F.R. 3118, April 12, 1961).

3. Executive Order 10096, as amended, provides that each Government department and independent establishment is directed to take all steps necessary to effectuate the Executive Order, including the issuance of necessary regulations consistent with provisions of the Executive Order and the rules and regulations issued thereunder by the Commissioner.

b. Rules and regulations. Basic Government patent policy with respect to inventions made by Government employees is administratively restated in Part 300, Chapter III, Title 37, Code of Federal Regulations, 37 C.F.R. 300.1-300.11; (27 F. R. 3289, April 6, 1962), but therein are set forth, as approved by the President, February 6, 1962, the responsibilities of Government agencies and procedures to be followed. These responsibilities include (1) the determination of invention, (2) the determination of rights in inventions, (3) administrative appellate rights of employee-inventors, (4) the determination as to whether patent protection will be sought, and (5) the furnishing of certain reports to the Commissioner of Patents.

in inventions, (3) administrative appellate rights of employee-inventors, (4) the determination as to whether patent protection will be sought, and (5) the furnishing of certain reports to the Commissioner of Patents.

b. The head of each operating unit or his designee shall submit to the General Counsel all descriptions of inventions furnished by employees.

c. The General Counsel shall maintain a docket of all employee inventions and take steps to obtain appropriate information on Forms CD-240, "Invention Disclosure," and CD-241, "Invention Evaluation," on these inventions.

.07 Determination of Rights.

a. Conditions for assignment. The Department of Commerce may require assignment to the Government of the entire right, title, and interest in and to inventions made by its employees and to any patents that may be issued on such inventions if it is established that any of the following conditions are present and are sufficiently equitable to justify requirement of assignment:

1. If the invention was made during working hours;

2. If the invention was made with a contribution by the Government of facilities, equipment, materials, funds, or information, or of time or services of other Government employees on official duty; or

3. If the invention bears a direct relation to or was made in consequence of the official duties of the inventor.

b. Definitions of conditions. In determining whether any of the conditions set forth above were present in the making of the invention, the following definitions shall apply:

1. Work hours shall mean time spent during either the usual working hours, or overtime, or both;

2. A contribution of facilities, equipment, materials, or funds shall mean that Government facilities, equipment, materials, or funds were actually used in connection with the invention;

3. A contribution of information shall mean that the information used in making the invention was available only by reason of the inventor's official duties and was obtained from sources not otherwise available;

4. A contribution of time and services of other Government employees on official duty shall mean that their time or services were utilized during work hours as defined above; and

5. Bearing a direct relation to or made in consequence of the official duties of the inventor means that the duties to which the inventor had been assigned were such that the invention could reasonably be expected to arise therefrom.

c. When assignment is required. When any of the conditions set forth in subparagraph .07a. of this section as defined in subparagraph .07b. of this

duties of the inventor means that the duties to which the inventor had been assigned were such that the invention could reasonably be expected to arise therefrom.

c. When assignment is required. When any of the conditions set forth in subparagraph .07a. of this section as defined in subparagraph .07b. of this

.03 Policy of the Department. It is the policy of the Department of Commerce to encourage invention by its employees and to take full cognizance of the rights and interests of its employee-inventors, within the limitation of its authority, in making determinations of the respective rights and equities of the Government and of the inventor in an invention made by an employee of the Department of Commerce.

.04 Definitions. For purposes of this section, the following definitions shall apply:

a. "Government employee" or "employee" is any officer or employee of the Department, including any part-time consultant or part-time employee except as otherwise may be provided by contract, regulation, or practice approved by the Commissioner of Patents; and

b. "Invention" means any art, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the patent laws of the United States.

.05 Assignment of Responsibilities.

a. In discharging its responsibilities in connection with the uniform patent policy, the Department of Commerce is charged with:

1. Determining whether the results of research, development or other activity within the Department constitute invention within the purview of Executive Order 10096, as amended by Executive Order 10930, of March 24, 1961;

2. Determining, subject to review by the Commissioner of Patents, the respective rights of the Government and of the inventor in and to any invention made by an employee of the Department of Commerce;

3. Determining, subject to certain exceptions hereafter noted, whether patent protection will be sought by the Department of Commerce for such inventions; and

4. Furnishing reports as required to the Commissioner of Patents with respect to the determination of rights, the taking of appeals, the filing of applications, and the issuance of patents.

b. The General Counsel will carry out these responsibilities for the Department and will also serve as the Department's liaison officer to deal with the Commissioner of Patents on these and other matters pertaining to employee inventions. In the discharge of his responsibilities as enumerated in subparagraph .05a. of this section exclusive of subparagraph .05a.4., the General Counsel may utilize such representatives, boards, and committees as he deems appropriate, or may delegate his authority in such manner as he deems desirable.

.06 Determination of Invention.

a. Every employee of the Department who believes he has made an invention shall promptly furnish a full description thereof in writing to the head of his operating unit, or to his designee for this purpose.

.06 Determination of Invention.

a. Every employee of the Department who believes he has made an invention shall promptly furnish a full description thereof in writing to the head of his operating unit, or to his designee for this purpose.

For all other employees, the Government must establish that the conditions of subparagraph .07a., if present, are sufficient equitably to require an assignment to the Government of the invention and to any patent which may issue thereon.

g. Foreign rights. An assignment of the foreign rights in and to the invention shall be made by the employee, upon request, whenever an assignment of the domestic rights is required.

.08 Appeals and Petitions.

a. Appeals. Any employee who is aggrieved by a determination of the General Counsel as to his rights to or in an invention he has made may obtain a review of the determination by filing two copies of a written appeal with the Commissioner of Patents within 30 days after receiving notice of the determination (or such longer period as the Commissioner may, for good cause, fix in any case). The decision of the Commissioner of Patents upon any appeal made to him shall be final, after the period for asking reconsideration expires. Any request by the inventor for reconsideration must be filed with the Commissioner within 30 days from the date of the original decision of the Commissioner (or within such an extension thereof as may be set by the Commissioner before the original period expires).

b. Agency report on appeal. In the event any employee files an appeal, the General Counsel shall furnish the Commissioner of Patents, with a copy to the employee, the following information:

1. Description of the invention in sufficient detail to permit a satisfactory review;

2. Name of the inventor and his employment status, including a detailed statement of his official duties and responsibilities at the time of making the invention;

3. A statement of the agency determination and reasons therefor; and

4. A detailed statement of the points of dispute or controversy, together with copies of any statement or written arguments filed with the agency, and of any other relevant evidence that the agency considered in making its determination of Government interest. Within 25 days (or such longer period as the Commissioner may, for good cause shown, fix in any case) after the transmission of a copy of the agency report to the employee, the employee may file a reply thereto with the Commissioner and file one copy thereof with the agency. After the time for the inventor's reply to the Government agency's report has expired and if the inventor has so requested in his appeal, a date will be set for the hearing of oral arguments by the employee (or by an attorney whom he designates by written power of attorney filed before, or at the hearing) and a representative of the Government agency involved. The hearing will be conducted by the Commissioner, an Assistant Commissioner, or a hearing officer designated by the Commissioner. Unless it shall be otherwise ordered before the hearing begins, oral arguments will be limited to thirty minutes for each side. The employee need not retain an attorney or request an oral hearing to secure full consideration of the

...before, or at the hearing) and a representative of the Government agency involved. The hearing will be conducted by the Commissioner, an Assistant Commissioner, or a hearing officer designated by the Commissioner. Unless it shall be otherwise ordered before the hearing begins, oral arguments will be limited to thirty minutes for each side. The employee need not retain an attorney or request an oral hearing to secure full consideration of the

section exist, the domestic rights and, in the discretion of the General Counsel, foreign rights in and to the invention shall belong to the Government if:

(1) The conditions are equitably sufficient to justify assignment thereof by the employee to the Government; and

(2) The Government has sufficient interest in the invention to require assignment thereof by the employee.

Where the Government would otherwise be entitled to an assignment, if it should be found that such assignment should not be required because of lack of sufficient interest in the invention on the part of the Government, the employee nevertheless shall be required to grant to the Government a non-exclusive, irrevocable, royalty-free license in the invention and under any patents which may issue thereon, with power to grant licenses for all governmental purposes.

d. Entire title to invention left to employee. When none of the conditions set forth in subparagraph .07a. of this section exist, the entire right, title, and interest in and to the invention shall be left in the employee, subject to law.

e. When conditions for assignment are presumed to exist. It shall be presumed that the conditions of subparagraph .07a. of this section exist when the employee is employed or assigned:

(1) To invent or improve or perfect any process, machine, manufacture, design, or composition of matter;

(2) To conduct or perform research or development work, or both;

(3) To supervise, direct, coordinate or review Government-financed or conducted research or development work, or both; or

(4) To act in a liaison capacity among governmental or non-governmental agencies or individuals engaged in such research or development work, or both.

This presumption may be rebutted by the facts or circumstances attendant upon the conditions under which any particular invention is made and shall not preclude a determination (1) that the Government shall leave the entire right, title and interest in and to the invention in the employee, subject to law, or (2) that title shall be left in the employee subject to a license to the Government as set forth in subparagraph .07c. of this section.

f. Burden of proof. Employees assigned for any one or more of the purposes enumerated in subparagraph .07e. of this section may submit evidence that will enable the General Counsel to establish the absence of any one or more of the conditions of subparagraph .07a. of this section, or that the conditions which exist are insufficient equitably to justify a requirement that assignment be made to the Government of the invention and any patent which may issue thereon.

[illegible] set forth in subparagraph .07c. of this section.

f. Burden of proof. Employees assigned for any one or more of the purposes enumerated in subparagraph .07e. of this section may submit evidence that will enable the General Counsel to establish the absence of any one or more of the conditions of subparagraph .07a. of this section, or that the conditions which exist are insufficient equitably to justify a requirement that assignment be made to the Government of the invention and any patent which may issue thereon.

c. Rights in the employee. Where the General Counsel has determined to leave the domestic rights in and to an invention with an employee subject to a license in favor of the Government and the employee acquiesces in this determination, the General Counsel will, upon the filing of an application for patent and pending review of the determination by the Commissioner, obtain for the Government a non-exclusive, irrevocable, royalty-free license in the invention with power to grant licenses for all governmental purposes, without prejudice to the subsequent acquisition by the Government of the entire domestic rights, title, and interest in and to, the invention should the Commissioner so decide.

.10 Scope of Section. The provisions of this section apply to any invention made by an employee on or after January 23, 1950.

SECTION 4. INDEBTEDNESS TO THE UNITED STATES GOVERNMENT.

.01 Purpose. The purpose of this section is to prescribe Departmental policy and procedure relating to indebtedness of an employee to the United States Government other than an indebtedness arising out of an erroneous payment of pay collection of which is waived under 5 U.S.C. 5584 (see Administrative Order 202-558).

.02 Legal Basis. Section 6331 of the Internal Revenue Code of 1954, approved August 16, 1954 (68A Stat.783; 26 U.S.C. 6331), authorizes involuntary deductions from the salary of a Government officer or employee who is delinquent in paying his Federal income tax. 5 U.S.C. 5514 authorizes involuntary deductions from any employee's salary for indebtedness to the Government resulting from overpayment by the agency concerned. In addition, where the Government is both debtor and creditor with respect to an employee, the Government has a right to set off the indebtedness to the Government against the indebtedness of the Government to the employee in settling accounts. (See R. S. 236; Act of June 10, 1921, 42 Stat. 24; 31 U.S.C. 71, and 33 Comp. Gen. 443.)

.03 Policy. Timely payment of any indebtedness to the Government of the United States is an important personal responsibility of each employee concerned. Any employee who fails to liquidate such indebtedness promptly when due is a source of embarrassment to the Department and will be subject to seizure of salary and to appropriate disciplinary action, which may include removal.

.04 Procedure.

a. Responsibility. By virtue of the Department Organization Order 20-8, the authority for administering these regulations is vested in the Director of Personnel. Such authority is redelegated by Administrative Order 202-250 to appointing officers who may be assisted or represented by such responsible officials as they may deem appropriate. The person exercising such authority shall be designated as Department representative.

b. Initial contact with employee. Where a complaint is received concerning, or an error is found creating, an indebtedness to the United States, such information will be referred to the Department representative. The Department representative will confer with the employee concerned and advise him of the Department's policy regarding the liquidation of indebtedness.

officials as they may deem appropriate. The person exercising such authority shall be designated as Department representative.

b. Initial contact with employee. Where a complaint is received concerning, or an error is found creating, an indebtedness to the United States, such information will be referred to the Department representative. The Department representative will confer with the employee concerned and advise him of the Department's policy regarding the liquidation of indebtedness.

The conference will, on the basis of the facts available:

1. Ascertain that the debt is a just debt; and if so,

2. Endeavor to obtain an agreement for liquidating the indebtedness, subject to the proviso in subparagraph .04b.3. of this section.

3. The Internal Revenue Service is authorized, but not required, to utilize this procedure in collecting delinquent Federal taxes. In lieu of the procedure described in this paragraph .04, the Internal Revenue Service may, if it so desires, utilize the procedure described in the following provision of law (68A Stat. 783; 26 U.S.C. 6331 (a)):

> "If any person liable to pay any tax neglects or refuses to pay the same within 10 days after notice and demand, it shall be lawful for the Secretary or his delegate to collect such tax (and such further sum as shall be sufficient to cover the expenses of the levy) by levy upon all property and rights to property (except such property as is exempt under Section 6334) belonging to such person or on which there is a lien provided in this chapter for the payment of such tax. Levy may be made upon the accrued salary or wages of any officer, employee, or elected official, of the United States, the District of Columbia, or any agency or instrumentality of the United States or the District of Columbia, by serving a notice of levy on the employer (as defined in Section 3401(d)) of such officer, employee, or elected official. If the Secretary or his delegate makes a finding that the collection of such tax is in jeopardy, notice and demand for immediate payment of such tax may be made by the Secretary or his delegate and, upon failure or refusal to pay such tax, collection thereof by levy shall be lawful without regard to the 10-day period provided in this section."

In the event the Internal Revenue Service insists upon collection by levy, rather than collection by payroll deduction plan, the procedure for collection by levy must be observed, and the remainder of this paragraph .04 is not applicable.

c. Voluntary liquidation of a just debt. When it is established that the debt is a just debt, that the employee is willing to enter into a plan for liquidating the indebtedness, and that collection by levy procedures is not involved, the Department representative will assist him in formulating such a plan substantially as follows:

1. The employee will agree to (a) a cash settlement in full or cash payment by installments, or (b) payroll deductions to cover the amount due.

2. The payment should be as large as the employee's personal financial situation will permit. Except in extreme circumstances, the payment should be large enough to liquidate the indebtedness in full (including any interest due) in not more than one year. Installments in no case should be less than five dollars for each agreed upon installment period. The amount deducted must remain constant except for the final deduction, which may cover the balance due in an amount less than a regular deduction.

2. The payment should be as large as the employee's personal financial situation will permit. Except in extreme circumstances, the payment should be large enough to liquidate the indebtedness in full (including any interest due) in not more than one year. Installments in no case should be less than five dollars for each agreed upon installment period. The amount deducted must remain constant except for the final deduction, which may cover the balance due in an amount less than a regular deduction.

facts and his arguments. He may expedite such consideration by notifying the Commissioner when he does not intend to file a reply to the agency report. After a hearing on the appeal, if a hearing was requested, or after expiration of the period for the inventor's reply to the agency report if no hearing is set, the Commissioner shall issue a decision on the matter, which decision shall be final after the period for asking reconsideration expires or on the date that a decision on a petition for reconsideration is finally disposed of. Any request for reconsideration or modification of the decision must be filed within 30 days from the date of the original decision (or within such an extension thereof as may be set by the Commissioner before the original period expires). The Commissioner's decision shall be made after consideration of the statements of fact in the employee's appeal, the agency's report, and the employee's reply, but the Commissioner, at his discretion and with due respect to the rights and convenience of the inventor and the Government agency, may call for further statements on specific questions of fact or may request additional evidence in the form of affidavits or depositions on specific facts in dispute.

c. Petitions not involving appeals. In the event it is determined that the rights in and to an invention are to be left with the employee, a report of such determination is required to be submitted to the Commissioner of Patents for review. The Commissioner will review the determination and his decision respecting the matter shall be final, subject to the right of the employee to submit to the Commissioner within 30 days (or such longer period as the Commissioner may, for good cause, fix in any case) after receiving notice of the decision, a petition for reconsideration if the Commissioner's decision gives the Government greater rights than the original determination. Copies of such petitions will be filed with the head of the operating unit and the General Counsel.

.09 Patent Protection.

a. General. The General Counsel, upon determining that an invention has been made under the conditions specified in subparagraph .07a. of this section, shall determine whether patent protection will be sought in the United States by the Department of Commerce for such invention. A controversy over the respective rights of the Government and of the inventor in any case shall not delay the taking of any action seeking such patent protection. In cases where it is determined that the domestic rights in and to the invention are to be left with the employee, action by the Department of Commerce looking toward such patent protection shall be contingent upon the consent of the inventor.

b. Dispute as to rights. Where there is a dispute as to whether the Government is to obtain an assignment of the domestic rights in and to the invention or only a license thereunder, the General Counsel will determine whether patent protection will be sought in the United States pending the Commissioner's decision on the dispute. If the General Counsel decides that an application for patent should be filed, he will obtain for the Government a non-exclusive, irrevocable, royalty-free license in the invention with power to grant licenses for all governmental purposes, but this shall be without prejudice to acquiring an assignment to the Government of the entire domestic right, title, and interest in and to the invention should the Commissioner so decide.

patent protection will be sought in the United States pending the Commissioner's decision on the dispute. If the General Counsel decides that an application for patent should be filed, he will obtain for the Government a non-exclusive, irrevocable, royalty-free license in the invention with power to grant licenses for all governmental purposes, but this shall be without prejudice to acquiring an assignment to the Government of the entire domestic right, title, and interest in and to the invention should the Commissioner so decide.

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

14 DEC 1987

Honorable Richard E. Lyng
Secretary of Agriculture
Washington, D. C. 20250

Dear Dick:

On March 18, 1987, this Department published in the Federal Register regulations which set out the patent clauses to be used in funding agreements with small business firms and nonprofit organizations, 37 CFR Part 401 (enclosed). The authority for these regulations is contained in Title 35, Section 206 of the United States Code (enclosed).

The patent clauses contained in these regulations allow small business firms and nonprofit organizations to take title to any inventions arising under a funding agreement. These clauses ease technology transfer as set out in Executive Order 12591.

Subsection 401.1(e) of the regulations states that they shall take precedence over any other inconsistent regulations dealing with ownership of inventions made by small business and nonprofit organizations. Thus, where patent clauses set out in the Federal Acquisition Regulation (FAR) are inconsistent with the 37 CFR Part 401 patent clauses for small business firms and nonprofit organizations, the latter clauses must be used.

Accordingly, your agency should use the patent clauses for small business firms and nonprofit organizations as set out in 37 CFR Part 401. These clauses take precedence over the inconsistent clauses in the FAR.

Sincerely,

/s/
Secretary of Commerce

Enclosures

ther payments or to carry out other undertakings in connection with said terminated portion, and the Government acknowledges that the Contractor has no obligation to perform further work or services or to make further deliveries of articles or materials under the terminated portion of the contract: *Provided, however,* That nothing herein contained shall impair or affect in any way any other covenants, terms or conditions of the contract: *And provided further,* That, with respect to the terminated portion of the contract, the following rights and liabilities of the parties are reserved:

[List reserved or excepted rights and liabilities; see § 1-8.209-2 and Article 7 of the agreement set forth in § 1-8.806-2.]

In Witness Whereof, etc.

§1-8.806-7 No-cost settlement agreement—complete termination.

THIS SUPPLEMENTAL AGREEMENT OF SETTLEMENT, entered into this ——— day of ———, 19— between the UNITED STATES OF AMERICA (hereinafter called "the Government"), represented by the Contracting Officer executing this contract, and ————————

(a) A corporation organized and existing under the laws of the State of————————;

(b) A partnership consisting of ————————;

(c) An individual doing business as ————————;

(hereinafter called "the Contractor").

WITNESSETH THAT:

WHEREAS, the Contractor and the Government have entered into Contract No. ——— under date of ———, 19— which, together with any and all amendments, changes, modifications, and supplements thereto, is hereinafter referred to as "the contract"; and

WHEREAS, the contract provides that the performance of work thereunder may at the convenience or option of the Government be terminated by the Government in whole, or from time to time in part, whenever any such termination is determined to be for the best interest of the Government, and that the Contractor and Contracting Officer may agree upon the whole or any part of the amount or amounts to be paid to the Contractor by reason of such termination; and

WHEREAS, by notice of termination dated ———, 19—, the Government advised the Contractor of the termination of the contract for the convenience or at the option of the Government; and

WHEREAS, the Contractor is willing to waive unconditionally any claim against the Government by reason of such termination.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1. The Contractor hereby unconditionally waives any claim against the Government by reason of the termination of the contract and, except as set forth below, releases it from any and all obligations arising under the contract or by reason of its termination; and the Government agrees that all obligations arising under the contract or by reason of its termination, shall be deemed to be concluded; except as follows:

[List reserved or excepted rights and liabilities; see § 1-8.209-2 and Article 6 of the agreements set forth in § 1-8.806-1.]

In Witness Whereof, etc.

PART 1-9—PATENTS, DATA, AND COPYRIGHTS

Subpart 1-9.1—Patents

Sec.
1-9.100 Scope of subpart.
1-9.101—1-9.106 [Reserved]
1-9.107 Patent rights under contracts for research and development.
1-9.107-1 General.
1-9.107-2 [Reserved]
1-9.107-3 Policy.
1-9.107-4 Procedures.
1-9.107-5 Clauses for domestic contracts (long form).
1-9.107-6 Clauses for domestic contracts (short form) and Institutional Patent Agreements.
1-9.107-7 Clause for foreign contracts.
1-9.108 [Reserved]
1-9.109 Administration of Patent Rights clauses.
1-9.109-1 Patent rights follow-up.
1-9.109-2 Follow-up by contractor.
1-9.109-3 Follow-up by Government.
1-9.109-4 Remedies.
1-9.109-5 Conveyance of invention rights acquired by the Government.
1-9.109-6 Retention of greater rights.
1-9.109-7 Negotiation of Institutional Patent Agreements.

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

SOURCE: 40 FR 19814, May 7, 1975, unless otherwise noted.

Subpart 1-9.1—Patents

§ 1-9.100 Scope of subpart.

This subpart sets forth policies, procedures, and contract clauses with respect to inventions made in the course of or under a contract or subcontract entered into with or for the benefit of the Government where a purpose is the conduct of experimental, developmental, or research work. The policies, procedures, and contract clauses may also be used in grants, agreements,

and other arrangements as agencies deem appropriate.

§§ 1-9.101—1-9.106 [Reserved]

§ 1-9.107 Patent rights under contracts for research and development.

§ 1-9.107-1 General.

(a) *Introduction.* On August 23, 1971, the President issued a Statement of Government Patent Policy (36 FR 16887, August 26, 1971) applicable to all executive departments and agencies, revising a prior Statement of Policy (28 FR 10943, October 12, 1963). Essentially, the goals of this Statement are to provide criteria for determining the allocation of rights in inventions resulting from federally sponsored research and development contracts, to promote their expeditious development so that the public can benefit from early civilian use of the inventions, and to ensure their continued availability. In applying this regulation, agency heads must weigh both the need for incentives to draw forth private initiatives, and the need to promote healthy competition in industry. Consistent with the FPR system, agencies may implement and supplement this subpart.

(b) *Applicable statutes.* Except to the extent that agencies are governed by specific statutes or by any treaty or agreement between the United States and any foreign country that are inconsistent with this subpart, agencies shall follow the provisions of this subpart, including the use of the prescribed clauses. Modifications to the prescribed clauses are permissible to the extent that these clauses are inconsistent with the requirements of statutes, treaties, or agreements.

(c) *Co-sponsored, cost sharing, or joint venture research.* The provisions of this subpart are not mandatorily applicable to co-sponsored, cost sharing, or joint venture research when the agency determines that in the course of the work under the contract the contractor will be required to make a substantial contribution of funds, facilities, or equipment to the principal purpose of the contract. However, agencies are encouraged to follow the provisions of this subpart to the extent practicable.

(d) *Background patent rights.* Nothing in this subpart is intended to preclude the use of appropriate contract provisions concerning rights in contractor's background patents.

§ 1-9.107-2 [Reserved]

§ 1-9.107-3 Policy.

(a) The Government shall normally acquire or reserve the right to acquire the principal or exclusive rights through out the world in and to any invention made in the course of or under a contract where:

(1) A principal purpose of the contract is to create, develop, or improve products, processes, or methods which are intended for commercial use (or which are otherwise intended to be made available for use) by the general public at home or abroad, or which will be required for such use by governmental regulations; or

(2) A principal purpose of the contract is for exploration into fields which directly concern the public health, public safety, or public welfare; or

(3) The contract is in a field of science or technology in which there has been little significant experience outside of work funded by the Government, or where the Government has been the principal developer of the field, and the retention of exclusive rights at the time of contracting might confer on the contractor a preferred or dominant position; or

(4) The services of the contractor are:

(i) For the operation of a Government-owned research or production facility; or

(ii) For coordinating and directing the work of others.

In exceptional circumstances the contractor may retain greater rights than a nonexclusive license at the time of contracting where the head of the department or agency certifies that such action will best serve the public interest. Greater rights may also be retained by the contractor after the invention has been identified where the head of the department or agency determines that the retention of such greater rights is consistent with the intent of this paragraph (a) of this

principal purpose of the contract. However, agencies are encouraged to follow the provisions of this subpart to the extent practicable.

head of the department or agency determines that the retention of such greater rights is consistent with the intent of this paragraph (a) of this

atent rights. Noth-
is intended to pre-
opropriate contract
ing rights in con-
d patents.

ent shall normally
he right to acquire
exclusive rights
orld in and to any
the course of or
here:
urpose of the con-
levelop, or improve
or methods which
ommercial use (or
ise intended to be
use) by the general
abroad, or which
such use by gov-
ns; or
urpose of the con-
ration into fields
ncern the public
ety, or public wel-

is in a field of sci-
in which there has
nt experience out-
d by the Govern-
e Government has
developer of the
ntion of exclusive
f contracting might
ractor a preferred
n; or
of the contractor

ation of a Govern-
ch or production fa-

ating and directing

umstances the con-
greater rights than
ense at the time of
the head of the de-
certifies that such
rve the public inter-
is may also be re-
ractor after the in-
identified where the
tment or agency de-
retention of such
consistent with the
ragraph (a) of this

section and is either a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application or that the Government's contribution to the invention is small compared to that of the contractor. Where an identified invention made in the course of or under the contract is not directly related to a principal purpose of the contract, greater rights may also be retained by the contractor under the criteria of paragraph (c), of this section.

(b) In other situations, where the purpose of the contract is to build upon existing knowledge or technology to develop information, products, processes, or methods for use by the Government and the work called for by the contract is in a field of technology in which the contractor has acquired technical competence (demonstrated by factors such as know-how, experience, and patent position) directly related to an area in which the contractor has an established nongovernmental commercial position, the contractor shall normally retain the principal or exclusive rights throughout the world in and to any resulting inventions.

(c) Where the commercial interests of the contractor are not sufficiently established to be covered by the criteria specified in paragraph (b) of this section, the allocation of rights shall be made by the agency after the invention has been identified, in a manner deemed most likely to serve the public interest as expressed in this policy, taking particularly into account the intentions of the contractor to bring the invention to a point of commercial application and the guidelines of paragraph (a) of this section, provided that the agency may prescribe by regulation special situations where the public interest in the availability of the inventions would best be served by permitting the contractor to retain at the time of contracting greater rights than a nonexclusive license.

(d) In the situations specified in paragraphs (b) and (c) of this section, when two or more potential contractors are judged to have presented proposals of equivalent merit, willingness to grant the Government principal or exclusive rights in resulting inventions will be an additional factor in the evaluation of the proposals.

(e) Where the principal or exclusive rights in an invention remain in the contractor, he should agree to provide written reports at reasonable intervals, when requested by the Government, on the commercial use that is being made or is intended to be made of inventions made under Government contracts.

(f) Where the principal or exclusive rights in an invention remain in the contractor, unless the contractor, his licensee, or his assignee has taken effective steps within 3 years after a patent issues on the invention to bring the invention to the point of practical application, or has made the invention available for licensing royalty-free or on terms that are reasonable in the circumstances, or can show cause why he should retain the principal or exclusive rights for a further period of time, the Government shall have the right to require the granting of a nonexclusive or exclusive license to a responsible applicant(s) on terms that are reasonable under the circumstances.

(g) Where the principal or exclusive rights to an invention are retained by the contractor, the Government shall have the right to require the granting of a nonexclusive or exclusive license to a responsible applicant(s) on terms that are reasonable in the circumstances (i) to the extent that the invention is required for public use by governmental regulations, or (ii) as may be necessary to fulfill health or safety needs, or (iii) for other public purposes stipulated in the contract.

(h) Whenever the principal or exclusive rights in an invention remain in the contractor, the Government shall normally acquire:

(1) At least a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency) and States and domestic municipal governments, unless the agency head or his designee determines that it would not be in the public interest to acquire the license for the States and domestic municipal governments; and

identified where the
tment or agency de-
retention of such
consistent with the
ragraph (a) of this

when two or more potential contractors are judged to have presented proposals of equivalent merit, willingness to grant the Government principal or exclusive rights in resulting inventions

ments, unless the agency head or his designee determines that it would not be in the public interest to acquire the license for the States and domestic municipal governments; and

547

(2) The right to sublicense any foreign government pursuant to any existing or future treaty or agreement if the agency head or his designee determines it would be in the national interest to acquire the right; and

(3) The principal or exclusive rights to the invention in any country in which the contractor does not elect to secure a patent.

(i) Whenever the principal or exclusive rights in an invention are acquired by the Government, there may be reserved to the contractor a revocable or irrevocable, nonexclusive, royalty-free license for the practice of the invention throughout the world; an agency may reserve the right to revoke such license so that it might grant an exclusive license when it determines that some degree of exclusivity may be necessary to encourage further development and commercialization of the invention. Where the Government acquires the principal or exclusive rights to an invention and does not elect to secure a patent in a foreign country, the contractor may retain such rights in any foreign country in which he elects to secure a patent, subject to the Government's rights set forth in paragraph (h) of this section.

(j) Nothing in this subpart shall be construed to confer immunity upon any person from the antitrust laws or from a charge of patent misuse, and no person shall be immune from the operation of State or Federal law by reason of the retention and use of rights pursuant to this subpart.

§ 1-9.107-4 Procedures.

(a) *Selection of Patent Rights clause.* (1) Whenever a contract which is to be performed in the United States, its possessions, Puerto Rico, or the District of Columbia has as a purpose the conduct of experimental, developmental, or research work, the agency shall apply the policy in § 1-9.107-3 to the contracting situation and shall include in the contract a Patent Rights clause from §§ 1-9.107-5 or 1-9.107-6. The clauses in § 1-9.107-5 shall be used as appropriate in contracts with industrial concerns or in contracts with nonprofit organizations calling for developmental work. The clauses specified in §§ 1-9.107-5 or 1-9.107-6 may be used in contracts calling for basic or applied research with nonprofit organizations. Solicitations shall provide offerors with an opportunity to show that the selected clause proposed for a contract is inappropriate for a particular procurement situation. In no event will contractors be asked to state their willingness to grant the Government principal or exclusive patent rights prior to a determination that proposals of equivalent merit have been presented.

(2) The Patent Rights clause in § 1-9.107-5(a), except as otherwise provided in § 1-9.107-6(a), shall be used whenever the agency determines that the experimental, developmental, or research work to be performed under the contract falls within § 1-9.107-3(a). This clause provides that the Government shall acquire title, under certain circumstances, to inventions made in the course of or under the contract subject to the reservation of nonexclusive license rights to the contractor. The contractor may retain greater rights than a nonexclusive license after an invention has been identified if the agency determines that the criteria of § 1-9.109-6 are met. When the agency head or his duly authorized designee determines that exceptional circumstances exist as provided for in § 1-9.107-3(a), paragraphs (b) and (i) of the clause prescribed in § 1-9.107-5(a) may be appropriately modified so that the contractor retains greater rights than a nonexclusive license concerning all or specific inventions.

(3) The Patent Rights clause in § 1-9.107-5(b) shall be used whenever the agency determines that the experimental, developmental, or research work to be performed under the contract does not come within § 1-9.107-3(a) but is within § 1-9.107-3(b). This clause provides that title to any inventions resulting from the contract remains in the contractor subject to the acquisition of certain specified rights by the Government.

(4) The Patent Rights clause in § 1-9.107-5(c), except as otherwise provided in § 1-9.107-6(b), shall be used whenever the agency determines that the experimental, developmental, or research work to be performed under

the contract d
§§ 1-9.107-3 (a)
9.107-3(c). The
provides that t
in inventions re
tract shall be c
invention has
the agency dete
regulations tha
exists, paragra
clause prescribe
be modified so
tains greater ri
sive license.

(5) A short
clause in § 1-9.
used by the a
clause in § 1-9.1
tively, where
basic or applied
tractor is a non
other than the
ment-owned res
cility. These cla
ate for use whe
termines that
tled to retenti
upon a finding
cumstances as
9.107-3(a) are
contract falls w
tions criteria
either event, a
§ 1-9.107-5, ap
shall be used.

(6) In accorda
regarding exc
in § 1-9.107-3(
regarding spec
9.107-3(c), agen
stitutional Pate
9.107-6(c)) with
profit organizat
transfer progra
of § 1-9.109-7(
permit those
certain conditi
right, title, an
made in the co
When such a
made with a
organization, it
ble to each co
tion in lieu
clauses in § 1-9
unless a deter
to exclude th
agreement.

contracting situation and
in the contract a Patent Rights clause
from §§ 1-9.107-5 or 1-9.107-6. The
clauses in § 1-9.107-5 shall be used as
appropriate in contracts with industrial
concerns or in contracts with nonprofit organizations calling for developmental work. The clauses specified
by the Government.
(4) The Patent Rights clause in § 1-9.107-5(c), except as otherwise provided in § 1-9.107-6(b), shall be used whenever the agency determines that the experimental, developmental, or research work to be performed under
548
40-104 O—79—

1-9.107-6 may be calling for basic or with nonprofit orga- tions shall provide opportunity to show lause proposed for a priate for a particu- tuation. In no event asked to state their nt the Government sive patent rights ination that propos- nerit have been pre-

Rights clause in § 1- as otherwise pro- 5(a), shall be used ncy determines that developmental, or be performed under within § 1-9.107-3(a). s that the Govern- title, under certain inventions made in under the contract rvation of nonexclu- s to the contractor. ay retain greater nexclusive license has been identified rmines that the cri- are met. When the is duly authorized s that exceptional as provided for in graphs (b) and (i) cribed in § 1-9.107- priately modified so or retains greater xclusive license con- ic inventions.

Rights clause in § 1- used whenever the that the experi- ntal, or research ed under the con- e within § 1-9.107- § 1-9.107-3(b). This t title to any inven- n the contract re- actor subject to the ain specified rights

Rights clause in § 1- as otherwise pro- 6(b), shall be used ncy determines that developmental, or be performed under

the contract does not come within §§ 1-9.107-3 (a) or (b), but is within § 1-9.107-3(c). The clause in § 1-9.107-5(c) provides that the allocation of rights in inventions resulting from the contract shall be deferred until after an invention has been identified. When the agency determines pursuant to its regulations that a special situation exists, paragraphs (b) and (i) of the clause prescribed in § 1-9.107-5(c) may be modified so that the contractor retains greater rights than a nonexclusive license.

(5) A short form Patent Rights clause in § 1-9.107-6(a) or (b) may be used by the agency instead of the clause in § 1-9.107-5 (a) or (c), respectively, where the contract calls for basic or applied research and the contractor is a nonprofit organization for other than the operation of a Government-owned research or production facility. These clauses are not appropriate for use where the agency head determines that the contractor is entitled to retention of greater rights upon a finding that exceptional circumstances as provided for in § 1-9.107-3(a) are present or where the contract falls within the special situations criteria of § 1-9.107-3(c). In either event, a Patent Rights clause in § 1-9.107-5, appropriately modified, shall be used.

(6) In accordance with the language regarding exceptional circumstances in § 1-9.107-3(a) and/or the language regarding special situations in § 1-9.107-3(c), agencies may enter into Institutional Patent Agreements (see § 1-9.107-6(c)) with universities and nonprofit organizations having technology transfer programs meeting the criteria of § 1-9.109-7(b). The agreements permit those institutions, subject to certain conditions, to retain the entire right, title, and interest in inventions made in the course of their contracts. When such an agreement has been made with a university or nonprofit organization, it shall be made applicable to each contract with the institution in lieu of the Patent Rights clauses in § 1-9.107-5 and § 1-9.107-6, unless a determination has been made to exclude the contract from the agreement.

(b) *Record of decisions.* Agencies shall record the basis for the following actions: (1) Selection of a Patent Rights clause; (2) finding of exceptional circumstances in § 1-9.107-3(a) or of special situations in § 1-9.107-3(c); (3) retention of greater rights pursuant to § 1-9.109-6; and (4) determinations under §§ 1-9.107-4 (c) and (d).

(c) *License for the Government, States, and municipal governments.* The policy set forth in § 1-9.107-3(h)(1) provides that the Government shall normally acquire a paid-up license in any invention resulting from the contract for the Government, States, and municipal governments. Paragraph (c)(1) in the Patent Rights clauses in § 1-9.107-5 sets forth such a license. When the agency determines that it would not be in the public interest in a particular contracting situation to acquire a license for the Government of the scope in paragraph (c)(1), this paragraph may be appropriately modified. The agency head or his duly authorized designee may determine at the time of contracting that it would not be in the public interest to acquire such a license for States and municipal governments or may reserve the right to make this determination after the invention has been identified. When the determination is made or the right to make the determination is reserved, paragraph (c)(1) of the Patent Rights clauses in § 1-9.107-5 shall be replaced with the appropriate paragraph in § 1-9.107-5(d).

(d) *Right to sublicense foreign governments.* Paragraph (c) of the Patent Rights clauses in § 1-9.107-5 does not provide the Government with the right to grant a sublicense in any inventions resulting from the contract to any foreign government pursuant to any treaty or agreement. The agency head or his duly authorized designee may determine at the time of contracting that it would be in the national interest to acquire this right, or he may reserve the right to make this determination after the invention has been identified. When the agency head makes or reserves the right to make this determination, the appropriate sentence in § 1-9.107-5(e) shall be included as part of paragraph (c) in

40-104 O—79——36

Rights clause in § 1- as otherwise pro- 6(b), shall be used ncy determines that developmental, or be performed under

organization, it shall be made applicable to each contract with the institution in lieu of the Patent Rights clauses in § 1-9.107-5 and § 1-9.107-6, unless a determination has been made to exclude the contract from the agreement.

he may reserve the right to make this determination after the invention has been identified. When the agency head makes or reserves the right to make this determination, the appropriate sentence in § 1-9.107-5(e) shall be included as part of paragraph (c) in

549

40-104 O—79——36

the Patent Rights clauses of § 1-9.107-5.

(e) *Minimum rights to contractor.* Paragraph (d) of the Patent Rights clauses of § 1-9.107-5 specify the minimum rights retained by the contractor in inventions made in the course of or under the contract. Where appropriate, the agency may modify this Minimum Rights provision, whereby, the contractor reserves:

(1) A *revocable,* nonexclusive, royalty-free license in the inventions, in which case paragraph (d) of § 1-9.107-5(a) shall be included in the Patent Rights clauses in § 1-9.107-5;

(2) A *revocable,* nonexclusive, royalty-free license in the inventions only upon request by the contractor for reservation of such a license, in which case paragraph (d)(1) of the Patent Rights clauses in § 1-9.107-V5 shall be replaced with paragraph (d)(1) in § 1-9.107-5(f);

(3) An *irrevocable,* nonexclusive, royalty-free license in the inventions, in which case paragraph (d) of the Patent Rights clauses in § 1-9.107-5 shall be replaced with paragraph (d) in § 1-9.107-5(g); or

(4) An *irrevocable,* nonexclusive, royalty-free license in inventions constructively reduced to practice prior to the effective date of the contract, in which case paragraph (d)(4) of § 1-9.107-5(h) shall be added to the Patent Rights clauses in § 1-9.107-5.

(f) *Subcontracts.* (1) The policy expressed in § 1-9.107-3 is applicable to prime contracts and to subcontracts regardless of tier. The appropriate Patent Rights clause prescribed by this subpart shall be included in all subcontracts having as a purpose the conduct of experimental, developmental, or research work. In general, the Patent Rights clause in the prime contract, with the exception of the withholding provision, will be appropriate for inclusion in such subcontracts. Whenever the prime contractor or a subcontractor considers the inclusion of the Patent Rights clause of the prime contract in a subcontract to be inconsistent with the policy expressed in § 1-9.107-3, or a subcontractor refuses to accept a Patent Rights clause in his subcontract, the matter shall be referred to the agency contracting officer for resolution prior to the award of the subcontract. Upon such referral, the same considerations and procedures followed by the contracting officer in selecting the Patent Rights clause included in the prime contract shall be used in selecting the Patent Rights clause to be included in the subcontract.

(2) Contractors shall not use their ability to award subcontracts as economic leverage to acquire rights for themselves in the inventions resulting from subcontracts.

(g) *Publication of invention disclosures.* The Patent Rights clauses of § 1-9.107-5 and § 1-9.107-6 specify in paragraph (e)(4) and (b)(2), respectively, that the Government may duplicate and disclose invention disclosures reported under the contract. However, the publication of the information in an invention disclosure by any party before the filing of a patent application may create a bar to the filing of foreign patent applications. The agency may restrict the publication of such information by the contractor in order to protect the interests of the Government or the contractor in obtaining foreign patents by adding the paragraph prescribed by § 1-9.107-5(i)(2) as a consecutively-numbered paragraph after paragraph (e)(4) of the clauses of § 1-9.107-5, and after paragraph (b)(2) of the clauses of § 1-9.107-6. Where the contractor has been authorized to file foreign patent applications, the agency may desire to restrict its publication of the information in the related invention disclosure in order to protect the filing of such foreign applications by the contractor. In this event, the sentence in § 1-9.107-5(i)(1) should be added to paragraph (e)(4) of the Patent Rights clauses in § 1-9.107-5, and to paragraph (b)(2) of Patent Rights clauses in § 1-9.107-6.

(h) *Deviations.* Any departures from the policy, procedures, and clauses of this subpart shall be subject to the provisions of § 1-1.009.

[40 FR 19814, May 7, 1975, as amended at 43 FR 4424, Feb. 2, 1978]

EFFECTIVE DATE NOTE: Paragraph (a)(6) of § 1-9.107-4 added at 43 FR 4424, Feb. 2, 1978, becomes effective July 18, 1978. (See 43 FR 53497, Nov. 16, 1978.)

of the Patent Rights clause of the prime contract in a subcontract to be inconsistent with the policy expressed in § 1-9.107-3, or a subcontractor refuses to accept a Patent Rights clause in his subcontract, the matter shall be referred to the agency contracting of-

[40 FR 19814, May 7, 1975, as amended at 43 FR 4424, Feb. 2, 1978]

EFFECTIVE DATE NOTE: Paragraph (a)(6) of § 1-9.107-4 added at 43 FR 4424, Feb. 2, 1978, becomes effective July 18, 1978. (See 43 FR 53497, Nov. 16, 1978.)

550

§ 1-9.107-5 Clauses for (long form).

(a) *Patent Rights tion by the Govern* agency has determin falls within § 1-9.10 lowing clause shall b contract.

PATENTS RIGHTS—AC GOVERNM

(a) *Definitions.* (1) means any invention Contractor conceived duced to practice in the this contract, and inclu process, machine, man composition of matter useful improvement the of plant, which is or under the Patent Laws of America or any foreig

(2) "Contract" means ment, grant, or other a contract entered into w of the Government wh contract is the conduct velopmental, or researc

(3) "States and dom ernments" means the States, the District o Rico, the Virgin Island Guam, the Trust Terri lands, and any politic agencies thereof.

(4) "Government ag ecutive department, i sion, board, office, age authority, Governmen other Government esta ecutive branch of the United States of Ameri

(5) "To the point of means to manufacture position or product, to of a process, or to ope machine and under su tablish that the invent and that its benefits a ble to the public.

(b) *Allocation of pri signment to the Gover* tor agrees to assign to entire right, title, and the world in and to ea except to the extent th by the Contractor unc and (d) of this clause.

(2) *Greater rights* Contractor or the em authorization of the C greater rights than th provided in paragraph accordance with the p of 41 CFR 1-9.109-6. A

(2) *Greater rights* Contractor or the em authorization of the C greater rights than th provided in paragraph accordance with the p of 41 CFR 1-9.109-6. A

§ 1-9.107-5 Clauses for domestic contracts (long form).

(a) *Patent Rights clause—Acquisition by the Government.* When the agency has determined that a contract falls within § 1-9.107-4(a)(2), the following clause shall be included in the contract.

PATENTS RIGHTS—ACQUISITION BY THE GOVERNMENT

(a) *Definitions.* (1) "Subject Invention" means any invention or discovery of the Contractor conceived or first actually reduced to practice in the course of or under this contract, and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the Patent Laws of the United States of America or any foreign country.

(2) "Contract" means any contract, agreement, grant, or other arrangement, or subcontract entered into with or for the benefit of the Government where a purpose of the contract is the conduct of experimental, developmental, or research work.

(3) "States and domestic municipal governments" means the States of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, the Trust Territory of the Pacific Islands, and any political subdivision and agencies thereof.

(4) "Government agency" includes an executive department, independent commission, board, office, agency, administration, authority, Government corporation, or other Government establishment of the executive branch of the Government of the United States of America.

(5) "To the point of practical application" means to manufacture in the case of a composition or product, to practice in the case of a process, or to operate in the case of a machine and under such conditions as to establish that the invention is being worked and that its benefits are reasonably accessible to the public.

(b) *Allocation of principal rights.* (1) *Assignment to the Government.* The Contractor agrees to assign to the Government the entire right, title, and interest throughout the world in and to each Subject Invention, except to the extent that rights are retained by the Contractor under paragraphs (b)(2) and (d) of this clause.

(2) *Greater rights determinations.* The Contractor or the employee-inventor with authorization of the Contractor may retain greater rights than the nonexclusive license provided in paragraph (d) of this clause in accordance with the procedure and criteria of 41 CFR 1-9.109-6. A request for determination whether the Contractor or the employee-inventor is entitled to retain such greater rights must be submitted to the Contracting Officer at the time of the first disclosure of the invention pursuant to paragraph (e)(2)(i) of this clause, or not later than 3 months thereafter, or such longer period as may be authorized by the Contracting Officer for good cause shown in writing by the Contractor. The information to be submitted for a greater rights determination is specified in 41 CFR 1-9.109-6. Each determination of greater rights under this contract normally shall be subject to paragraph (c) of this clause and to the reservations and conditions deemed to be appropriate by the agency.

(c) *Minimum rights acquired by the Government.* With respect to each Subject Invention to which the Contractor retains principal or exclusive rights, the Contractor:

(1) Hereby grants to the Government a nonexclusive, nontransferable, 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 (including any Government agency) and States and domestic municipal governments;

(2) Agrees to grant to responsible applicants, upon request of the Government, a license on terms that are reasonable under the circumstances:

(i) Unless the Contractor, his licensee, or his assignee demonstrates to the Government that effective steps have been taken within 3 years after a patent issues on such invention to bring the invention to the point of practical application, or that the invention has been made available for licensing royalty-free or on terms that are reasonable in the circumstances, or can show cause why the principal or exclusive rights should be retained for a further period of time; or

(ii) To the extent that the invention is required for public use by governmental regulations or as may be necessary to fulfill public health, safety or welfare needs, or for other public purposes stipulated in this contract;

(3) Shall submit written reports at reasonable intervals upon request of the Government during the term of the patent on the Subject Invention regarding:

(i) The commercial use that is being made or is intended to be made of the invention; and

(ii) The steps taken by the Contractor or his transferee to bring the invention to the point of practical application or to make the invention available for licensing;

(4) Agrees to refund any amounts received as royalty charges on any Subject Invention in procurements for or on behalf of the Government and to provide for that refund

in any instrument transferring rights to any party in the invention; and

(5) Agrees to provide for the Government's paid-up license pursuant to paragraph (c)(1) of this clause in any instrument transferring rights in a Subject Invention and to provide for the granting of licenses as required by (2) of this clause, and for the reporting of utilization information as required by paragraph (c)(3) of this clause whenever the instrument transfers principal or exclusive rights in any Subject Invention.

Nothing contained in this paragraph (c) shall be deemed to grant to the Government any rights with respect to any invention other than a Subject Invention.

(d) *Minimum rights to the Contractor.* (1) The Contractor reserves a *revocable,* nonexclusive, royalty-free license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include the right to grant sublicenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded. The license shall be transferable only with approval of the agency except when transferred to the successor of that part of the Contractor's business to which the invention pertains.

(2) The Contractor's nonexclusive domestic license retained pursuant to paragraph (d)(1) of this clause may be revoked or modified by the agency to the extent necessary to achieve expeditious practical application of the Subject Invention under 41 CFR 101-4.103-3 pursuant to an application for exclusive license submitted in accordance with 41 CFR 101-4.104-3. This license shall not be revoked in that field of use and/or the geographical areas in which the Contractor has brought the invention to the point of practical application and continues to make the benefits of the invention reasonably accessible to the public. The Contractor's nonexclusive license in any foreign country reserved pursuant to paragraph (d)(1) of this clause may be revoked or modified at the discretion of the agency to the extent the Contractor or his domestic subsidiaries or affiliates have failed to achieve the practical application of the invention in that foreign country.

(3) Before modification or revocation of the license, pursuant to paragraph (d)(2) of this clause, the agency shall furnish the Contractor a written notice of its intention to modify or revoke the license, and the Contractor shall be allowed 30 days (or such longer period as may be authorized by the agency for good cause shown in writing by the Contractor) after the notice to show cause why the license should not be modified or revoked. The Contractor shall have the right to appeal, in accordance with procedures prescribed by the agency, any decision concerning the modification or revocation of his license.

(e) *Invention, identification, disclosures, and reports.* (1) The Contractor shall establish and maintain active and effective procedures to ensure that Subject Inventions are promptly identified and timely disclosed. These procedures shall include the maintenance of laboratory notebooks or equivalent records and any other records that are reasonably necessary to document the conception and/or the first actual reduction to practice of Subject Inventions, and records which show that the procedures for identifying and disclosing the inventions are followed. Upon request, the Contractor shall furnish the Contracting Officer a description of these procedures so that he may evaluate and determine their effectiveness.

(2) The Contractor shall furnish the Contracting Officer:

(i) A complete technical disclosure for each Subject Invention within 6 months after conception or first actual reduction to practice whichever occurs first in the course of or under the contract, but in any event prior to any on sale, public use, or publication of such invention known to the Contractor. The disclosure shall identify the contract and inventor and shall be sufficiently complete in technical detail and appropriately illustrated by sketch or diagram to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and, to the extent known, the physical, chemical, biological, or electrical characteristics of the invention;

(ii) Interim reports[1] at least every 12 months from the date of the contract listing Subject Inventions for that period and certifying that:

(A) The Contractor's procedures for identifying and disclosing Subject Inventions as required by this paragraph (e) have been followed throughout the reporting period; and

(B) All Subject Inventions have been disclosed or that there are no such inventions; and

(iii) A final report[1] within 3 months after completion of the contract work, listing all Subject Inventions or certifying that there were no such inventions.

(3) The Contractor shall obtain patent agreements to effectuate the provisions of this clause from all persons in his employ who perform any part of the work under this contract except nontechnical personnel, such as clerical employees and manual laborers.

[1]Agency may specify form.

(4) The Contrac
ernment may dupli
Invention disclosur
and papers furnish
nished pursuant to

(f) *Forfeiture of r
ject Inventions.* (1
forfeit to the Gove
Subject Invention
to the Contracting
after the time he:

(i) Files or caus
States or foreign ap

(ii) Submits the
paragraph (e)(2)(i
ever is later.

(2) However, the
feit rights in a Su
the time specified
paragraph (f), the

(i) Prepared a wr
a review of the r
was neither concei
duced to practice
the contract; or

(ii) Contending
Subject Invention,
the invention and
contention to the C

(iii) Establishes
did not result fro

(3) Pending wr
patent applicatio
ject Invention det
ing Officer to be
tion to be a fina
putes Clause), t
deemed to hold
patent applicatio
thereto in trust
forfeiture provisio
shall be in addit
sede other rights
Government may
ject Inventions.

(g) *Examinat
ventions.* (1) The
authorized repres
tion of 3 years a
this contract shal
ine any books (i
books), records, d
porting data of
Contracting Offic
nent to the disc
Subject Inventio
with the require

(2) The Contrac
right to review a
tory notebooks),
the Contractor re
first actual reduc
tions in the sam
work under th
whether any such
ventions if the
to:

(3) Before modification or revocation of the license, pursuant to paragraph (d)(2) of this clause, the agency shall furnish the Contractor a written notice of its intention to modify or revoke the license, and the Contractor shall be allowed 30 days (or such longer period as may be authorized by the agency for good cause shown in writing by the Contractor) after the notice to show

agreements to effectuate the provisions of this clause from all persons in his employ who perform any part of the work under this contract except nontechnical personnel, such as clerical employees and manual laborers.

[1]Agency may specify form.

tory notebooks),
the Contractor re
first actual reduc
tions in the sam
work under th
whether any such
ventions if the
to:

(4) The Contractor agrees that the Government may duplicate and disclose Subject Invention disclosures and all other reports and papers furnished or required to be furnished pursuant to this clause.

(f) *Forfeiture of rights in unreported Subject Inventions.* (1) The Contractor shall forfeit to the Government all rights in any Subject Invention which he fails to disclose to the Contracting Officer within 6 months after the time he:

(i) Files or causes to be filed a United States or foreign application thereon; or

(ii) Submits the final report required by paragraph (e)(2)(iii) of this clause, whichever is later.

(2) However, the Contractor shall not forfeit rights in a Subject Invention if, within the time specified in (1)(i) or (1)(ii) of this paragraph (f), the Contractor:

(i) Prepared a written decision based upon a review of the record that the invention was neither conceived nor first actually reduced to practice in the course of or under the contract; or

(ii) Contending that the invention is not a Subject Invention, he nevertheless discloses the invention and all facts pertinent to his contention to the Contracting Officer; or

(iii) Establishes that the failure to disclose did not result from his fault or negligence.

(3) Pending written assignment of the patent applications and patents on a Subject Invention determined by the Contracting Officer to be forfeited (such determination to be a final decision under the Disputes Clause), the Contractor shall be deemed to hold the invention and the patent applications and patents pertaining thereto in trust for the Government. The forfeiture provision of this paragraph (f) shall be in addition to and shall not supersede other rights and remedies which the Government may have with respect to Subject Inventions.

(g) *Examination of records relating to inventions.* (1) The Contracting Officer or his authorized representative until the expiration of 3 years after final payment under this contract shall have the right to examine any books (including laboratory notebooks), records, documents, and other supporting data of the Contractor which the Contracting Officer reasonably deems pertinent to the discovery or identification of Subject Inventions to determine compliance with the requirements of this clause.

(2) The Contracting Officer shall have the right to review all books (including laboratory notebooks), records and documents of the Contractor relating to the conception or first actual reduction to practice of inventions in the same field of technology as the work under this contract to determine whether any such inventions are Subject Inventions if the Contractor refuses or fails to:

(i) Establish the procedures of paragraph (e)(1) of this clause; or

(ii) Maintain and follow such procedures; or

(iii) Correct or eliminate any material deficiency in the procedures within thirty (30) days after the Contracting Officer notifies the Contractor of such a deficiency.

(h) *Withholding of payment (Not applicable to Subcontracts).* (1) Any time before final payment of the amount of this contract, the Contracting Officer may, if he deems such action warranted, withhold payment until a reserve not exceeding $50,000 or 5 percent of the amount of this contract, whichever is less, shall have been set aside if in his opinion the Contractor fails to:

(i) Establish, maintain, and follow effective procedures for identifying and disclosing Subject Inventions pursuant to paragraph (e)(1) of this clause; or

(ii) Disclose any Subject Invention pursuant to paragraph (e)(2)(i) of this clause; or

(iii) Deliver acceptable interim reports pursuant to paragraph (e)(2)(ii) of this clause; or

(iv) Provide the information regarding subcontracts pursuant to paragraph (i)(5) of this clause.

The reserve or balance shall be withheld until the Contracting Officer has determined that the Contractor has rectified whatever deficiencies exist and has delivered all reports, disclosures, and other information required by this clause.

(2) Final payment under this contract shall not be made before the Contractor delivers to the Contracting Officer all disclosures of Subject Inventions required by paragraph (e)(2)(i) of this clause, and an acceptable final report pursuant to (e)(2)(iii) of this clause.

(3) The Contracting Officer may, in his discretion, decrease or increase the sums withheld up to the maximum authorized above. If the Contractor is a nonprofit organization the maximum amount that may be withheld under this paragraph shall not exceed $50,000 or 1 percent of the amount of this contract whichever is less. No amount shall be withheld under this paragraph while the amount specified by this paragraph is being withheld under other provisions of the contract. The withholding of any amount or subsequent payment thereof shall not be construed as a waiver of any rights accruing to the Government under this contract.

(i) *Subcontracts.* (1) For the purpose of this paragraph the term "Contractor" means the party awarding a subcontract and the term "Subcontractor" means the party being awarded a subcontract, regardless of tier.

(2) Unless otherwise authorized or directed by the Government Contracting Officer, the Contractor shall include this Patent

(g) *Examination of records relating to inventions.* (1) The Contracting Officer or his authorized representative until the expiration of 3 years after final payment under this contract shall have the right to examine any books (including laboratory notebooks), records and documents of the Contractor relating to the conception or first actual reduction to practice of inventions in the same field of technology as the work under this contract to determine whether any such inventions are Subject Inventions if the Contractor refuses or fails to:

(i) Establish the procedures of paragraph (e)(1) of this clause; or

(ii) Maintain and follow such procedures; or

(iii) Correct or eliminate any material deficiency in the procedures within thirty (30) days after the Contracting Officer notifies the Contractor of such a deficiency.

(h) *Withholding of payment (Not applicable to Subcontracts).* (1) Any time before final payment of the amount of this contract, the Contracting Officer may, if he deems such action warranted, withhold payment until a reserve not exceeding $50,000 or 5 percent of the amount of this contract, whichever is less, shall have been set aside if in his opinion the Contractor fails to:

(i) Establish, maintain, and follow effective procedures for identifying and disclosing Subject Inventions pursuant to paragraph (e)(1) of this clause; or

(ii) Disclose any Subject Invention pursuant to paragraph (e)(2)(i) of this clause; or

(iii) Deliver acceptable interim reports pursuant to paragraph (e)(2)(ii) of this clause; or

(iv) Provide the information regarding subcontracts pursuant to paragraph (i)(5) of this clause.

The reserve or balance shall be withheld until the Contracting Officer has determined that the Contractor has rectified whatever deficiencies exist and has delivered all reports, disclosures, and other information required by this clause.

(2) Final payment under this contract shall not be made before the Contractor delivers to the Contracting Officer all disclosures of Subject Inventions required by paragraph (e)(2)(i) of this clause, and an acceptable final report pursuant to (e)(2)(iii) of this clause.

(3) The Contracting Officer may, in his discretion, decrease or increase the sums withheld up to the maximum authorized above. If the Contractor is a nonprofit organization the maximum amount that may be withheld under this paragraph shall not exceed $50,000 or 1 percent of the amount of this contract whichever is less. No amount shall be withheld under this paragraph while the amount specified by this paragraph is being withheld under other provisions of the contract. The withholding of any amount or subsequent payment thereof shall not be construed as a waiver of any rights accruing to the Government under this contract.

(i) *Subcontracts.* (1) For the purpose of this paragraph the term "Contractor" means the party awarding a subcontract and the term "Subcontractor" means the party being awarded a subcontract, regardless of tier.

(2) Unless otherwise authorized or directed by the Government Contracting Officer, the Contractor shall include this Patent

Rights clause modified to identify the parties in any subcontract hereunder if a purpose of the subcontract is the conduct of experimental, developmental, or research work. In the event of refusal by a Subcontractor to accept this clause, or if in the opinion of the Contractor this clause is inconsistent with the policy set forth in 41 CFR 1-9.107-3, the Contractor:

(i) Shall promptly submit a written notice to the Government Contracting Officer setting forth reasons for the Subcontractor's refusal and other pertinent information which may expedite disposition of the matter; and

(ii) Shall not proceed with the subcontract without the written authorization of the Government Contracting Officer.

(3) The Contractor shall not, in any subcontract or by using a subcontract as consideration therefor, acquire any rights in his Subcontractor's Subject Invention for his own use (as distinguished from such rights as may be required solely to fulfill his contract obligations to the Government in the performance of this contract).

(4) All invention disclosures, reports, instruments, and other information required to be furnished by the Subcontractor to the Government Contracting Officer under the provisions of a Patent Rights clause in any subcontract hereunder may, in the discretion of the Government Contracting Officer, be furnished to the Contractor for transmission to the Government Contracting Officer.

(5) The Contractor shall promptly notify the Government Contracting Officer in writing upon the award of any subcontract containing a Patent Rights clause by identifying the Subcontractor, the work to be performed under the subcontract, and the dates of award and estimated completion. Upon request of the Government Contracting Officer, the Contractor shall furnish a copy of the subcontract. If there are no subcontracts containing Patent Rights Clauses, a negative report shall be included in the final report submitted pursuant to paragraph (e)(2)(iii) of this clause.

(6) The Contractor shall identify all Subject Inventions of the Subcontractor of which he acquires knowledge in the performance of this contract and shall notify the Government Contracting Officer promptly upon the identification of the inventions.

(7) It is understood that the Government is a third party beneficiary of any subcontract clause granting rights to the Government in Subject Inventions, and the Contractor hereby assigns to the Government all rights that he would have to enforce the Subcontractor's obligations for the benefit of the Government with respect to Subject Inventions. The Contractor shall not be obligated to enforce the agreements of any Subcontractor hereunder relating to the obligations of the Subcontractor to the Government in regard to Subject Inventions.

(b) *Patent Rights clause—Retention by the Contractor.* When the agency has determined that a contract falls within § 1-9.107-4(a)(3), the Patent Rights clause in § 1-9.107-5(a) shall be included in the contract, except that the name of the clause shall be changed to "Patent Rights—Retention by the Contractor", paragraph (b) of that clause shall be replaced by the following paragraph (b), and the following paragraphs (j) and (k) shall be added:

(b) *Allocation of principal rights.* (1) The Contractor may retain the entire right, title, and interest throughout the world or in any country thereof in and to each Subject Invention disclosed pursuant to paragraph (e)(2)(i) of this clause, subject to the rights obtained by the Government in paragraph (c) of this clause. The Contractor shall include with each Subject Invention disclosure an election as to whether he will retain the entire right, title, and interest in the invention throughout the world or any country thereof.

(2) Subject to the license specified in paragraph (d) of this clause, the Contractor agrees to convey to the Government, upon request, the entire domestic right, title, and interest in any Subject Invention when the Contractor:

(i) Does not elect under paragraph (b)(1) of this clause to retain such rights; or

(ii) Fails to have a United States patent application filed on the invention in accordance with paragraph (j) of this clause, or decides not to continue prosecution of such application; or

(iii) At any time, no longer desires to retain title.

(3) Subject to the license specified in paragraph (d) of this clause, the Contractor agrees to convey to the Government upon request the entire right, title, and interest in any Subject Invention in any foreign country if the Contractor:

(i) Does not elect under paragraph (b)(1) of this clause to retain such rights in the country; or

(ii) Fails to have a patent application filed in the country on the invention in accordance with paragraph (k) of this clause, or decides not to continue prosecution or to pay any maintenance fees covering the invention. To avoid forfeiture of the patent application or patent, the Contractor shall notify the Contracting Officer not less than 60 days before the expiration period for any action required by the foreign patent office.

(4) A conveyance requ
paragraph (b)(2) or (3) o
be made by delivering t
Officer duly executed
pared by the Governmer
papers as are deemed n
the Government the en
interest to enable the G
for and prosecute patent
ing the invention in th
country, respectively, or
its ownership of the inve

(j) *Filing of domestic p*

(1) With respect to e
tion in which the Contra
domestic rights pursuan
of this clause, the Cont
domestic patent applic
months after submissio
disclosure pursuant to pa
this clause or such long
approved by the Cont
good cause shown in writ
tor. With respect to the
tractor shall promptly n
ing Officer of any decisi
plication.

(2) For each Subject I
patent application is fi
the Contractor, the Cont

(i) Within 2 months
within 2 months after s
vention disclosure if th
previously has been f
Contracting Officer a c
tion as filed including
serial number;

(ii) Include the follow
second paragraph of th
application and any pat
ject Invention, "The Go
in this invention pursu
—— (or Grant No.
(identify the agency).";

(iii) Within 6 month
plication or within 6 m
ting the invention disc
tion has been filed prev
Contracting Officer a d
proved instrument on
the Government fully
rights to which the Go
and provide the age
power to inspect and
patent application filed

(iv) Provide the Con
a copy of the patent wi
patent is issued on the a

(v) Not less than 30 d
ration of the response
required by the Pat
Office, notify the agen
to continue prosecutio
and deliver to the age
ments granting the Go
attorney.

is a third party beneficiary of any
tract clause granting rights to the Government in Subject Inventions, and the Contractor hereby assigns to the Government all rights that he would have to enforce the Subcontractor's obligations for the benefit of the Government with respect to Subject Inventions. The Contractor shall not be obligated to enforce the agreements of any
ance with paragraph (k) of this clause, or decides not to continue prosecution or to pay any maintenance fees covering the invention. To avoid forfeiture of the patent application or patent, the Contractor shall notify the Contracting Officer not less than 60 days before the expiration period for any action required by the foreign patent office.
ration of the response
required by the Pat
Office, notify the agen
to continue prosecutio
and deliver to the age
ments granting the Go
attorney.

(4) A conveyance requested pursuant to paragraph (b)(2) or (3) of this clause shall be made by delivering to the Contracting Officer duly executed instruments (prepared by the Government) and such other papers as are deemed necessary to vest in the Government the entire right, title, and interest to enable the Government to apply for and prosecute patent applications covering the invention in this or the foreign country, respectively, or otherwise establish its ownership of the invention.

(j) *Filing of domestic patent applications.* (1) With respect to each Subject Invention in which the Contractor elects to retain domestic rights pursuant to paragraph (b) of this clause, the Contractor shall have a domestic patent application filed within 6 months after submission of the invention disclosure pursuant to paragraph (e)(2)(i) of this clause or such longer period as may be approved by the Contracting Officer for good cause shown in writing by the Contractor. With respect to the invention, the Contractor shall promptly notify the Contracting Officer of any decision not to file an application.

(2) For each Subject Invention on which a patent application is filed by or on behalf of the Contractor, the Contractor shall:

(i) Within 2 months after the filing or within 2 months after submission of the invention disclosure if the patent application previously has been filed, deliver to the Contracting Officer a copy of the application as filed including the filing date and serial number;

(ii) Include the following statement in the second paragraph of the specification of the application and any patents issued on a Subject Invention, "The Government has rights in this invention pursuant to Contract No. ——— (or Grant No. ———) awarded by (identify the agency).";

(iii) Within 6 months after filing the application or within 6 months after submitting the invention disclosure if the application has been filed previously, deliver to the Contracting Officer a duly executed and approved instrument on a form specified by the Government fully confirmatory of all rights to which the Government is entitled, and provide the agency an irrevocable power to inspect and make copies of the patent application filed;

(iv) Provide the Contracting Officer with a copy of the patent within 2 months after a patent is issued on the application; and

(v) Not less than 30 days before the expiration of the response period for any action required by the Patent and Trademark Office, notify the agency of any decision not to continue prosecution of the application and deliver to the agency executed instruments granting the Government a power of attorney.

(3) For each Subject Invention in which the Contractor initially elects not to retain principal domestic rights, the Contractor shall inform the Contracting Officer promptly in writing of the date and identity of any on sale, public use, or publication of the invention which may constitute a statutory bar under 35 U.S.C. 102, which was authorized by or known to the Contractor, or any contemplated action of this nature.

(k) *Filing of foreign patent applications.* (1) With respect to each Subject Invention in which the Contractor elects to retain principal rights in a foreign country pursuant to paragraph (b)(1) of this clause, the Contractor shall have a patent application filed on the invention in that country, in accordance with applicable statutes and regulations, and within one of the following periods:

(i) Eight months from the date of a corresponding United States application filed by or on behalf of the Contractor; or if such an application is not filed, 6 months from the date the invention is submitted in a disclosure pursuant to paragraph (e)(2)(i) of this clause;

(ii) Six months from the date a license is granted by the Commissioner of Patents and Trademarks to file foreign applications where such filing has been prohibited by security reasons; or

(iii) Such longer period as may be approved by the Contracting Officer.

(2) The Contractor shall notify the Contracting Officer promptly of each foreign application filed and upon written request shall furnish an English version of the foreign application without additional compensation.

(c) *Patent Rights clause—Deferred.* When the agency has determined that a contract falls within § 1-9.107-4(a)(4), the Patent Rights clause in § 1-9.107-5(a) shall be included in the contract, except that the name of the clause shall be changed to "Patent Rights—Deferred" and paragraph (b) of that clause shall be replaced with the following paragraph (b):

(b) *Allocation of principal rights.* (1) *Assignment to the Government.* After a Subject Invention is identified, the Contractor agrees to assign to the Government the entire right, title, and interest therein throughout the world except to the extent that greater rights are retained by the Contractor under paragraphs (b)(2) and (d) of this clause.

(2) *Greater rights determinations.* The Contractor, or the employee-inventor with authorization of the Contractor, may retain greater rights than the nonexclusive license provided in paragraph (d) of this clause in

of this clause, or
prosecution or to
s covering the in-
ure of the patent
Contractor shall
ticer not less than
tion period for any
eign patent office.

ration of the response period for any action
required by the Patent and Trademark
Office, notify the agency of any decision not
to continue prosecution of the application
and deliver to the agency executed instru-
ments granting the Government a power of
attorney.

tractor under paragraphs (b)(2) and (d) of
this clause.

(2) *Greater rights determinations.* The
Contractor, or the employee-inventor with
authorization of the Contractor, may retain
greater rights than the nonexclusive license
provided in paragraph (d) of this clause in

accordance with the procedure and criteria of 41 CFR 1-9.109-6. A request for a determination of whether the Contractor or the employee-inventor is entitled to retain such greater rights must be submitted to the Contracting Officer at the time of first disclosure of the invention pursuant to paragraph (e)(2)(i) of this clause, or not later than 3 months thereafter or such longer period as may be authorized by the Contracting Officer for good cause shown in writing by the Contractor. The information to be submitted for a greater rights determination is specified in 41 CFR 1-9.109-6. Each determination of greater rights under this contract normally shall be subject to paragraph (c) of this clause and to the reservations and conditions deemed to be appropriate by the agency.

(d) *License rights of States and municipal governments.* (1) When the agency head or his duly authorized designee determines at the time of contracting that it would not be in the public interest to acquire a paid-up license in inventions made in the course of or under the contract for States and domestic municipal governments, paragraph (c)(1) of the Patent Rights clauses in § 1-9.107-5 shall be replaced with the following paragraph (c)(1):

(1) Hereby grants to the Government a nonexclusive, nontransferable, 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 (including any Government agency).

(2) When the agency head or his duly authorized designee decides to reserve the right to make the determination that it would not be in the public interest to acquire a paid-up license in a Subject Invention for States and domestic municipal governments until after the invention has been identified, paragraph (c)(1) of the Patent Rights clauses in § 1-9.107-5 shall be replaced with the following paragraph (c)(1):

(1) Hereby grants to the Government a nonexclusive, nontransferable, 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 (including any Government agency), States and domestic municipal governments, unless the agency head determines after the invention has been identified that it would not be in the public interest to acquire the license for States and domestic municipal governments.

(e) *Right to sublicense foreign governments.* (1) When the agency head or his duly authorized designee determines at the time of contracting that it would be in the national interest to acquire the right to sublicense foreign governments pursuant to any treaty or agreement, a sentence shall be added to the end of paragraph (c)(1) of the Patent Rights clauses in § 1-9.107-5 as follows:

This license shall include the right of the Government to sublicense foreign governments pursuant to any treaty or agreement with such foreign governments.

(2) When the agency head wishes to reserve the right to make the determination to sublicense foreign governments pursuant to any treaty or agreement until after the invention has been identified, a sentence shall be added to the end of paragraph (c)(1) of the Patent Rights clauses in § 1-9.107-5 as follows:

This license shall include the right of the Government to sublicense foreign governments pursuant to any treaty or agreement if the agency head determines after the invention has been identified that it would be in the national interest to acquire this right.

(f) *Minimum rights to Contractor (upon request).* When the agency determines that the contractor may reserve a revocable, nonexclusive, royalty-free license in inventions made in the course of or under the contract, only upon a request by the contractor for the retention of such a license, paragraph (d)(1) of the clauses in § 1-9.107-5 shall be replaced with the following paragraph (d)(1):

(d) *Minimum rights to the Contractor.* (1) The Contractor may reserve upon request a revocable, nonexclusive, royalty-free license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include the right to grant sublicenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded. The license shall be assignable only with approval of the agency except to the successor of that part of the Contractor's business to which the invention pertains.

(g) *Minimum rights (irrevocable).* When th mines that the contrac an irrevocable, nonexc free license in the inve from the contract, pa the Patent Rights clau 5 shall be replaced wit paragraph (d):

(d) The Contractor res ble, nonexclusive, royalt each patent application fil on a Subject Invention a patent in which the Go title. The license shall ex tractor's domestic subsidia if any, within the corpo which the Contractor is a clude the right to grant s same scope to the extent was legally obligated to the contract was awarded. be transferable only with agency, except when trans cessor of that part of the ness to which the inventio

(h) *Irrevocable licens ventions previously co duced to practice.* Whe cides that the contract an irrevocable, nonexcl ty-free license for pr country of each invent ly reduced to practice u which was conceived an ly reduced to practice tor prior to the effect ecution of the contract paragraph (d)(4) shall paragraph (d) of the clauses in § 1-9.107-5:

(4) In addition to the p graph (d)(1) of this claus reserves an irrevocable, no ty-free license in each p filed in any country an patent on each Subject In tively reduced to practice prior to the effective dat The license shall extend to domestic subsidiaries and within the corporate struct Contractor is a part and right to grant sublicenses o to the extent the Contract ligated to do so at the tim awarded. The license sha only with approval by the the successor of that par tor's business to which t tains.

(d) *Minimum rights to the Contractor.* (1) The Contractor may reserve upon request a revocable, nonexclusive, royalty-free license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include the right to grant sublicenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded. The license shall be assignable only with approval of the agency except to the successor of that part of the Contractor's business to which the invention pertains.

556

sublicense foreign gov-
When the agency head
horized designee deter-
me of contracting that
the national interest to
ht to sublicense foreign
ursuant to any treaty or
ntence shall be added
paragraph (c)(1) of the
clauses in § 1-9.107-5 as

all include the right of the
sublicense foreign govern-
o any treaty or agreement
governments.

agency head wishes to
ht to make the determi-
icense foreign govern-
to any treaty or agree-
ter the invention has
, a sentence shall be
nd of paragraph (c)(1)
Rights clauses in § 1-
ws:

ll include the right of the
sublicense foreign govern-
o any treaty or agreement
l determines after the in-
identified that it would be
terest to acquire this right.

rights to Contractor
When the agency de-
the contractor may re-
le, nonexclusive, royal-
in inventions made in
or under the contract,
quest by the contractor
ion of such a license,
1) of the clauses in § 1-
replaced with the fol-
ph (d)(1):

ights to the Contractor. (1)
ay reserve upon request a
clusive, royalty-free license
plication filed in any coun-
Invention and any result-
hich the Government ac-
license shall extend to the
estic subsidiaries and affili-
in the corporate structure
ntractor is a part and shall
to grant sublicenses of the
the extent the Contractor
ated to do so at the time
awarded. The license shall
nly with approval of the
the successor of that part
r's business to which the in-

(g) *Minimum rights to Contractor (irrevocable).* When the agency determines that the contractor may reserve an irrevocable, nonexclusive, royalty-free license in the inventions resulting from the contract, paragraph (d) of the Patent Rights clauses of § 1-9.107-5 shall be replaced with the following paragraph (d):

(d) The Contractor reserves an irrevocable, nonexclusive, royalty-free license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include the right to grant sublicenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded. This license shall be transferable only with approval of the agency, except when transferred to the successor of that part of the Contractor's business to which the invention pertains.

(h) *Irrevocable license on Subject Inventions previously constructively reduced to practice.* When an agency decides that the contractor may reserve an irrevocable, nonexclusive and royalty-free license for practice in this country of each invention first actually reduced to practice under a contract which was conceived and constructively reduced to practice by the contractor prior to the effective date of execution of the contract, the following paragraph (d)(4) shall be added to paragraph (d) of the Patents Rights clauses in § 1-9.107-5:

(4) In addition to the provisions of paragraph (d)(1) of this clause, the Contractor reserves an irrevocable, nonexclusive, royalty-free license in each patent application filed in any country and any resulting patent on each Subject Invention constructively reduced to practice by the Contractor prior to the effective date of this contract. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include the right to grant sublicenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded. The license shall be assignable only with approval by the agency except to the successor of that part of the Contractor's business to which the invention pertains.

(i) *Publication of invention disclosures.* (1) When the agency determines that it is in the best interest of the parties to withhold the release or publication of information in an invention disclosure so that the contractor may file foreign patent applications on the invention, the following sentence shall be added to paragraph (e)(4) of the Patent Rights clauses in § 1-9.107-5 and to paragraph (b)(2) of the Patent Rights clauses in § 1-9.107-6:

If the Contractor is to file a foreign patent application on a Subject Invention, the Government agrees, upon written request of the Contractor, to use its best efforts to withhold publication of such invention disclosures until a patent application is filed thereon, but in no event shall the Government or its employees be liable for any publication thereof.

(2) When the agency determines to restrict the contractor's publication of invention disclosures prior to the filing of patent applications, the following paragraph should be added as a consecutively numbered paragraph to paragraph (e) of the Patent Rights clauses in § 1-9.107-5 and to paragraph (b)(2) of the Patent Rights clauses in § 1-9.107-6:

( ) In order to protect the patent interest of the Government or the Contractor, the Contractor shall obtain the written approval of the Contracting Officer prior to the release or publication of the information in any Subject Invention disclosure by the Contractor or other parties acting on his behalf.

[40 FR 19817, May 7, 1975; 40 FR 28068, July 3, 1975]

§ 1-9.107-6 Clauses for domestic contracts (short form) and Institutional Patent Agreements.

(a) *Patent Rights clause—Acquisition by the Government.* The following clause may be used instead of the clause of § 1-9.107-5(a) in contracts for basic or applied research with nonprofit organizations other than for the operation of a Government-owned research or production facility.

PATENT RIGHTS—ACQUISITION BY THE GOVERNMENT (SHORT FORM)

(a) *Definitions.* "Subject Invention" means any invention or discovery of the Contractor conceived or first actually reduced to practice in the course of or under

nly with approval of the
the successor of that part
r's business to which the in-

ngated to do so at the time the contract was awarded. The license shall be assignable only with approval by the agency except to the successor of that part of the Contractor's business to which the invention pertains.

PATENT RIGHTS—ACQUISITION BY THE GOVERNMENT (SHORT FORM)

(a) *Definitions.* "Subject Invention" means any invention or discovery of the Contractor conceived or first actually reduced to practice in the course of or under

this contract, and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant which is or may be patentable under the Patent Laws of the United States of America or any foreign country.

(b) *Invention disclosures and reports.* (1) The Contractor shall furnish the Contracting Officer:

(i) A complete technical disclosure for each Subject Invention, within 6 months after conception or first actual reduction to practice, whichever occurs first in the course of or under the contract, but in any event prior to any on sale, public use, or publication of the invention known to the Contractor. The disclosure shall identify the contract and inventor, and shall be sufficiently complete in technical detail and appropriately illustrated by sketch or diagram to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and to the extent known, the physical, chemical, biological, or electrical characteristics of the invention;

(ii) Interim reports[1] at least every 12 months from the date of the contract listing Subject Inventions for the period and certifying that all Subject Inventions have been disclosed or that there are no such inventions and

(iii) An acceptable final report[1] within 3 months after completion of the contract work, listing all Subject Inventions or certifying that there were no such inventions.

(2) The Contractor agrees that the Government may duplicate and disclose Subject Invention disclosures and all other reports and papers furnished or required to be furnished pursuant to this clause.

(c) *Allocation of principal rights.* (1) The Contractor agrees to assign to the Government the entire right, title, and interest throughout the world in and to each Subject Invention, except to the extent that rights are retained by the Contractor under paragraphs (c)(2) and (d) of this clause.

(2) The Contractor or the employee-inventor with authorization of the Contractor may retain greater rights than the nonexclusive license provided in paragraph (d) of this clause in accordance with the procedure and criteria of 41 CFR 1-9.109-6. A request for a determination of whether the Contractor or the employee-inventor is entitled to retain such greater rights must be submitted to the Contracting Officer at the time of the first disclosure of the invention pursuant to paragraph (b)(1) of this clause, or not later than 3 months thereafter or such longer period as may be authorized by the Contracting Officer for good cause shown in writing by the Contractor. The information to be submitted for a greater rights determination is specified in 41 CFR 1-9.109-6. Each determination of greater rights under this contract shall be subject to the provisions of paragraph (c) "Minimum rights acquired by the Government" of the clause in 41 CFR 1-9.107-5(a), and to the reservations and conditions deemed appropriate by the agency.

(d) *Minimum rights to the Contractor.* The Contractor reserves a revocable, nonexclusive, royalty-free license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. Revocation shall be in accordance with the procedure of the clause in 41 CFR 1-9.107-5(d)(2) and (3).

(e) *Employee and Subcontractor agreements.* Unless otherwise authorized in writing by the Contracting Officer, the Contractor shall:

(1) Obtain patent agreements to effectuate the provisions of this clause from all persons who perform any part of the work under this contract except nontechnical personnel, such as clerical employees and manual laborers;

(2) Insert in each subcontract having experimental, developmental, or research work as one of its purposes provisions making this clause applicable to the Subcontractor and his employees; and

(3) Promptly notify the Contracting Officer of the award of any such subcontract by providing him with a copy of the subcontract and any amendments thereto.

(b) *Patent Rights clause—Deferred (short form).* This clause may be used instead of the clause of § 1-9.107-5(c) in contracts for basic or applied research with nonprofit organizations. When the agency determines that a contract falls within § 1-9.107-3(c) and that a short form Patent Rights clause is to be used pursuant to § 1-9.107-4(a)(5), the Patent Rights clause set forth in § 1-9.107-6(a) shall be included in the contract except that the name of the clause shall be changed to "Patent Rights—Deferred (short form)"; and paragraph (c)(1) of that clause shall be replaced by the following paragraph (c)(1):

(1) After a Subject Invention is identified, the Contractor agrees to assign to the Government the entire right, title, and interest therein throughout the world except to the extent that rights are retained by the Contractor under paragraphs (c)(2) and (d) of this clause.

[1]Agency may specify a form.

this contract, and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant which is or may be patentable under the Patent Laws of the United States of America or any foreign country.

(b) *Invention disclosures and reports.* (1) The Contractor shall furnish the Contracting Officer:

(i) A complete technical disclosure for each Subject Invention, within 6 months after conception or first actual reduction to practice, whichever occurs first in the course of or under the contract, but in any event prior to any on sale, public use, or publication of the invention known to the Contractor. The disclosure shall identify the contract and inventor, and shall be sufficiently complete in technical detail and appropriately illustrated by sketch or diagram to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and to the extent known, the physical, chemical, biological, or electrical characteristics of the invention;

(ii) Interim reports[1] at least every 12 months from the date of the contract listing Subject Inventions for the period and certifying that all Subject Inventions have been disclosed or that there are no such inventions and

(iii) An acceptable final report[1] within 3 months after completion of the contract work, listing all Subject Inventions or certifying that there were no such inventions.

(2) The Contractor agrees that the Government may duplicate and disclose Subject Invention disclosures and all other reports and papers furnished or required to be furnished pursuant to this clause.

(c) *Allocation of principal rights.* (1) The Contractor agrees to assign to the Government the entire right, title, and interest throughout the world in and to each Subject Invention, except to the extent that rights are retained by the Contractor under paragraphs (c)(2) and (d) of this clause.

(2) The Contractor or the employee-inventor with authorization of the Contractor may retain greater rights than the nonexclusive license provided in paragraph (d) of this clause in accordance with the procedure and criteria of 41 CFR 1-9.109-6. A request for a determination of whether the Contractor or the employee-inventor is entitled to retain such greater rights must be submitted to the Contracting Officer at the time of the first disclosure of the invention pursuant to paragraph (b)(1) of this clause, or not later than 3 months thereafter or such longer period as may be authorized by the Contracting Officer for good cause shown in

[1]Agency may specify a form.

writing by the Contractor. The information to be submitted for a greater rights determination is specified in 41 CFR 1-9.109-6. Each determination of greater rights under this contract shall be subject to the provisions of paragraph (c) "Minimum rights acquired by the Government" of the clause in 41 CFR 1-9.107-5(a), and to the reservations and conditions deemed appropriate by the agency.

(d) *Minimum rights to the Contractor.* The Contractor reserves a revocable, nonexclusive, royalty-free license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. Revocation shall be in accordance with the procedure of the clause in 41 CFR 1-9.107-5(d)(2) and (3).

(e) *Employee and Subcontractor agreements.* Unless otherwise authorized in writing by the Contracting Officer, the Contractor shall:

(1) Obtain patent agreements to effectuate the provisions of this clause from all persons who perform any part of the work under this contract except nontechnical personnel, such as clerical employees and manual laborers;

(2) Insert in each subcontract having experimental, developmental, or research work as one of its purposes provisions making this clause applicable to the Subcontractor and his employees; and

(3) Promptly notify the Contracting Officer of the award of any such subcontract by providing him with a copy of the subcontract and any amendments thereto.

(b) *Patent Rights clause—Deferred (short form).* This clause may be used instead of the clause of § 1-9.107-5(c) in contracts for basic or applied research with nonprofit organizations. When the agency determines that a contract falls within § 1-9.107-3(c) and that a short form Patent Rights clause is to be used pursuant to § 1-9.107-4(a)(5), the Patent Rights clause set forth in § 1-9.107-6(a) shall be included in the contract except that the name of the clause shall be changed to "Patent Rights—Deferred (short form)"; and paragraph (c)(1) of that clause shall be replaced by the following paragraph (c)(1):

(1) After a Subject Invention is identified, the Contractor agrees to assign to the Government the entire right, title, and interest therein throughout the world except to the extent that rights are retained by the Contractor under paragraphs (c)(2) and (d) of this clause.

[1]Agency may specify a form.

558

(c) *Patent Rights Patent Agreement.* (1) W has determined in accor 9.109-7 that a university it organization shou agreement as authorize 4(a)(6), an agreement s set forth in paragrap § 1-9.107-6 shall be us ment shall be appropria as indicated in the num pearing at the end of Changes may be made ment but shall be lim required by applicable special administrative n agencies shall endeavo agreements continue least the following feat

(i) A requirement for porting of all inventio cable agency along wit rights;

(ii) Reservation of fied in § 1-9.107-3(e) th

(iii) A requirement tion made such invent a nonexclusive basis ex desired practical or c cation has not been a likely to be expedit through licensing;

(iv) A condition lim sive license to a period ly greater than nece the incentive for bri tion to the point of p mercial application an licensee to recoup its sonable profit thereon

(v) A restriction tha be limited to what is the circumstances within the industry in

(vi) A requirement tion's royalty receipts of administrative cos to inventors, be utiliz al or research purpose

(vii) A provision agency to exclude inc from the operation of

(viii) A requirement ports after designate

(ix) A prohibition ment of inventions ment approval to per tions, other than as proved patent mana

(ix) A prohibition ment of inventions ment approval to per tions, other than as proved patent mana

tor. The information
reater rights determi-
41 CFR 1-9.109-6.
greater rights under
subject to the provi-
"Minimum rights ac-
ment" of the clause in
nd to the reservations
d appropriate by the

s to the Contractor.
es a revocable, nonex-
ense in each patent
ny country on a Sub-
y resulting patent in
t acquires title. Revo-
ordance with the pro-
n 41 CFR 1-9.107-5(d)

Subcontractor agree-
se authorized in writ-
Officer, the Contrac-

greements to effectu-
this clause from all
any part of the work
except nontechnical
lerical employees and

ubcontract having ex-
mental, or research
purposes provisions
pplicable to the Sub-
ployees; and
the Contracting Offi-
y such subcontract by
copy of the subcon-
ments thereto.

ts clause—Deferred
clause may be used
se of § 1-9.107-5(c)
asic or applied re-
profit organizations.
determines that a
in § 1-9.107-3(c) and
Patent Rights clause
rsuant to § 1-9.107-
Rights clause set
6(a) shall be includ-
ct except that the
shall be changed to
Deferred (short
raph (c)(1) of that
placed by the follow-
1):

Invention is identified,
to assign to the Gov-
ght, title, and interest
he world except to the
retained by the Con-
aphs (c)(2) and (d) of

(c) *Patent Rights—Institutional Patent Agreement.* (1) When an agency has determined in accordance with § 1-9.109-7 that a university or a nonprofit organization should receive an agreement as authorized by § 1-9.107-4(a)(6), an agreement substantially as set forth in paragraph (c)(2) of this § 1-9.107-6 shall be used. The agreement shall be appropriately completed as indicated in the numbered notes appearing at the end of the agreement. Changes may be made in the agreement but shall be limited to changes required by applicable statutes or by special administrative needs. However, agencies shall endeavor to insure that agreements continue to include at least the following features:

(i) A requirement for the prompt reporting of all inventions to the applicable agency along with an election of rights;

(ii) Reservation of all rights specified in § 1-9.107-3(e) through (h);

(iii) A requirement that the institution made such inventions available on a nonexclusive basis except where the desired practical or commercial application has not been achieved or is not likely to be expeditiously achieved through licensing;

(iv) A condition limiting any exclusive license to a period not substantially greater than necessary to provide the incentive for bringing the invention to the point of practical or commercial application and to permit the licensee to recoup its costs and a reasonable profit thereon;

(v) A restriction that royalty charges be limited to what is reasonable under the circumstances or reasonable within the industry involved;

(vi) A requirement that the institution's royalty receipts, after payment of administrative costs and payments to inventors, be utilized for educational or research purposes;

(vii) A provision permitting the agency to exclude individual contracts from the operation of the agreement;

(viii) A requirement for progress reports after designated periods;

(ix) A prohibition against assignment of inventions without Government approval to persons or organizations, other than assignments to approved patent management organizations subject to all the conditions of this paragraph (c)(1); and

(x) A provision permitting the agreement to be terminated by either party upon 30 days written notice.

(2) The Institutional Patent Agreement prescribed for use is as follows:

INSTITUTIONAL PATENT AGREEMENT

This Agreement is made and entered into by and between the United States of America as represented by the ———— (*1*), hereinafter referred to as the "Agency," and ———— hereinafter referred to as the "Institution."

Whereas, in accordance with the President's Memorandum and Statement of Government Patent Policy dated August 23, 1971, and the provisions of 41 CFR 1-9.107-4(a)(6), it has been determined that the Institution has a technology transfer program meeting the criteria of 41 CFR 1-9.109-7 in that the Institution's patent policy as set forth in ———— (*2*), and its technology transfer practices have been reviewed and found acceptable; and

Whereas, the Institution is desirous of entering into an agreement whereby it may retain the entire right, title, and interest in and administer inventions made in the course of or under research supported by the Agency, subject to certain rights acquired by the Government:

Now, therefore, in consideration of the foregoing, the parties hereto agree as follows:

(a) *Scope of Agreement.* This Agreement defines the rights of the parties hereto regarding the allocation of rights in subject inventions made under contracts with the agency entered into after the execution of the Agreement except such contracts as may be specifically excluded by the Agency. (*3*)

(b) *Definitions.* (1) "Subject Invention" means any invention or discovery of the Institution or its contractors conceived or first actually reduced to practice in the course of or under a contract with the Agency, and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, and any variety of plant, which is or may be patentable under the patent Laws of the United States of America or any foreign country.

(2) "Contract" means any contract (agreement, grant, or other arrangement) (*4*) or subcontract thereunder of the agency entered into with or for the benefit of the Government, where a purpose of the contract is the conduct of experimental, developmental, or research work.

(3) "States and domestic municipal governments" means the States of the United States, the District of Columbia, Puerto

Invention is identified,
to assign to the Gov-
ght, title, and interest
he world except to the
retained by the Con-
aphs (c)(2) and (d) of

ports after designated periods;

(ix) A prohibition against assignment of inventions without Government approval to persons or organizations, other than assignments to approved patent management organizations, or a requirement for progress reports after designated periods;

subcontract thereunder of the agency entered into with or for the benefit of the Government, where a purpose of the contract is the conduct of experimental, developmental, or research work.

(3) "States and domestic municipal governments" means the States of the United States, the District of Columbia, Puerto

Rico, the Virgin Islands, American Samoa, Guam, and the Trust Territory of the Pacific Islands, and any political subdivision and agencies thereof.

(4) "To bring to the point of practical application" means to manufacture in the case of a composition or product, to practice in the case of a process, or to operate in the case of a machine and under such conditions as to establish that the invention is being worked and that its benefits are reasonably accessible to the public.

(5) "Made," when used in relation to any invention or discovery, means the conception or first actual reduction to practice of such invention in the course of or under a contract.

(c) *Allocation of principal rights.* (1) The Institution may retain the entire right, title, and interest throughout the world or in any country thereof in and to each Subject Invention disclosed pursuant to paragraph (e), below, subject to the provisions of this Agreement. The Institution shall include with each Subject Invention disclosure an election whether it will retain the entire right, title, and interest in the invention throughout the world or in any country thereof subject to the rights acquired by the Government in paragraph (d) of the Agreement; *Provided* That the Institution may request an extension of the time for election.

(2) The Institution agrees to convey to the Government, upon request, the entire domestic right, title, and interest in any Subject Invention when the Institution:

(i) Does not elect under paragraph (c)(1) to retain such rights; or

(ii) Fails to have a United States Patent Application filed on the invention in accordance with paragraph (f)(1), or decides not to continue prosecution of such application; or

(iii) At any time no longer desires to retain title.

(3) The Institution agrees to convey to the Government, upon request, the entire right, title, and interest in any Subject Invention when the Institution:

(i) Does not elect under paragraph (c)(1) to retain such rights in the country; or

(ii) Fails to have a patent application filed in the country on the invention in accordance with paragraph (f)(1) or decides not to continue prosecution of such application or to pay any maintenance fees covering the invention. To avoid forfeiture of the patent application or patent, the Institution shall notify the Agency not less than 60 days before the expiration period for any action required by the foreign patent office.

(4) A conveyance, requested pursuant to paragraphs (c)(2) or (3) of this Agreement, shall be made by delivering to the Agency duly executed instruments (prepared by the Agency) and such other papers as are deemed necessary to vest in the government the entire right, title, and interest to enable the Government to apply for and prosecute patent applications covering the invention in this or the foreign country, respectively, or otherwise establish Government ownership of such invention.

(d) *Minimum rights acquired by the Government.* (1) With respect to each Subject Invention to which the Institution retains principal or exclusive rights, the Institution:

(i) Hereby grants to the Government of the United States a nonexclusive, nontransferable, 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 (including any Government agency) and States and domestic municipal governments, unless the Agency determines after the invention has been identified that it would not be in the public interest to acquire the license for States and domestic municipal governments; and

(ii) Agrees, upon request of the Agency, to grant licenses to responsible applicants, on terms that are reasonable under the circumstances except;

(A) When the Institution, its licensee, or its assignee, demonstrates to the Government (1) that effective steps have been taken within three years after a patent issues on such invention to bring the invention to the point of practical application or (2) that the invention has been made available for licensing royalty-free or on terms that are reasonable in the circumstances, or can show cause why the principal or exclusive rights should be retained for a further period of time; or

(B) To the extent that the invention is required for public use by governmental regulations or as may be necessary to fulfill public health or safety needs, or for other public purposes stipulated in the applicable contract.

(2) Nothing contained in this paragraph (d) shall be deemed to grant to the Government any rights with respect to any invention other than a Subject Invention.

(e) *Invention identification, disclosures, and reports.* (1) The Institution shall furnish the Agency:

(i) A complete technical disclosure for each Subject Invention within 6 months after conception or first actual reduction to practice, whichever occurs first in the course of or under the contract, or within 6 months from the time a contractor of the Institution reports an invention to it pursuant to paragraph (h), but in any event prior to any on sale, public use, or publication of the invention known to the Institution. The disclosure shall identify the contract and inventor and shall be sufficiently complete in technical detail to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and, to the extent known, the

physical, chemical, bi
characteristics of the i
(ii) Interim reports
at least every 12 mon
the contract listing S
the period and certif
Inventions have been
are no such inventions
(iii) An acceptable
months after completi
contract, listing all S
certifying that there
tions. (6)

(2) The Institution
agreements to effect
Agreement, from all
who perform any par
any contract except n
such as clerical empl
borers.

(3) The Institution
ernment may duplicat
Invention disclosures
graph (k), all other r
nished or required to
to this Agreement. H
tion is to file a paten
ject Invention, the
written request of the
best efforts to withho
invention disclosures
tion is filed thereon,
the Government or
for any publication th

(f) *Filing of domest*
(1) With respect to e
in which the Institu
metic rights pursuant
this Agreement, the I
domestic patent app
months after an el
pursuant to paragrap
ment or such longer
proved in writing by t

(2) For each Subjec
patent application is
the Institution, the I

(i) Within 6 monti
within 6 months after
vention disclosure if
was filed prior to the
Agency a duly execu
strument on the form
which is attached he
hereof;

(ii) Within 2 monti
within 2 months after
vention disclosure if
was filed prior to the
Agency (A) a copy
filed, including the
number, and (B) a c
from the inventor or
tution of all right, ti
invention properly
States Patent and Tra

(4) A conveyance, requested pursuant to paragraphs (c)(2) or (3) of this Agreement, shall be made by delivering to the Agency duly executed instruments (prepared by the Agency) and such other papers as are deemed necessary to vest in the government

disclosure shall identify the contract and inventor and shall be sufficiently complete in technical detail to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and, to the extent known, the

filed, including the
number, and (B) a c
from the inventor or
tution of all right, ti
invention properly
States Patent and Tra

560

terest to enable
r and prosecute
the invention
, respectively,
rnment owner-

ed by the Gov-
o each Subject
titution retains
he Institution:
overnment of
sive, nontrans-
make, use, and
throughout the
Government of
any Govern-
domestic mu-
he Agency de-
has been iden-
n the public in-
for States and
nts; and
the Agency, to
applicants, on
der the circum-

its licensee, or
o the Govern-
ps have been
after a patent
ring the inven-
application or
en made availa-
e or on terms
rcumstances, or
cipal or exclu-
d for a further

invention is re-
rnmental regu-
ssary to fulfill
is, or for other
the applicable

this paragraph
to the Govern-
t to any inven-
vention.
on, disclosures,
ution shall fur-

disclosure for
thin 6 months
ual reduction to
s first in the
act, or within 6
ntractor of the
tion to it pursu-
any event prior
r publication of
Institution. The
contract and in-
tly complete in
one skilled in
tion pertains a
nature, purpose,
nt known, the

physical, chemical, biological, or electrical characteristics of the invention.

(ii) Interim reports (5) for each contract at least every 12 months from the date of the contract listing Subject Inventions for the period and certifying that all Subject Inventions have been disclosed or that there are no such inventions.

(iii) An acceptable final report within 3 months after completion of the work under contract, listing all Subject Inventions or certifying that there were no such inventions. (6)

(2) The Institution shall obtain patent agreements to effect the provisions of this Agreement, from all persons in its employ who perform any part of the work under any contract except nontechnical personnel, such as clerical employees and manual laborers.

(3) The Institution agrees that the Government may duplicate and disclose Subject Invention disclosures and, subject to paragraph (k), all other reports and papers furnished or required to be furnished pursuant to this Agreement. However, if the Institution is to file a patent application on a Subject Invention, the Agency agrees, upon written request of the Institution, to use its best efforts to withhold publication of such invention disclosures until a patent application is filed thereon, but in no event shall the Government or its employees be liable for any publication thereof.

(f) *Filing of domestic patent applications.* (1) With respect to each Subject Invention in which the Institution elects to retain domestic rights pursuant to paragraph (c)(1) of this Agreement, the Institution shall have a domestic patent application filed within 6 months after an election has been made pursuant to paragraph (c)(1) of this Agreement or such longer period as may be approved in writing by the Agency.

(2) For each Subject Invention on which a patent application is filed by or on behalf of the Institution, the Institution shall:

(i) Within 6 months after the filing, or within 6 months after submission of the invention disclosure if the patent application was filed prior to the contract, deliver to the Agency a duly executed and approved instrument on the form specified in Exhibit A which is attached hereto and made a part hereof;

(ii) Within 2 months after the filing, or within 2 months after submission of the invention disclosure if the patent application was filed prior to the contract, deliver to the Agency (A) a copy of the application as filed, including the filing date and serial number, and (B) a copy of an assignment from the inventor or inventors to the Institution of all right, title, and interest in the invention properly recorded in the United States Patent and Trademark Office;

(iii) Include the following statement, appropriately completed, in the second paragraph of the specification of the application and any patents issued on the Subject Invention, "The Government has rights in this invention pursuant to Contract(s) (or Grant(s)) No(s). —— awarded by (identify the Agency or Agencies)";

(iv) Not less than 30 days before the expiration of the response period for any action required by the United States Patent and Trademark Office, notify the Agency of any decision not to continue the prosecution of the application and deliver to the Agency executed instruments granting the Government a power of attorney;

(v) Upon request, fully advise the Agency concerning all actions taken during the prosecution of any patent application and furnish copies of any relevant documents as requested; and

(vi) Provide the Agency with a copy of the patent within 2 months after a patent issues on the application.

(3) For each Subject Invention in which the Institution initially elects not to retain rights or requests an extension of the election period, the Institution shall inform the Agency promptly in writing of the date and identity of any on sale, public use, or publication of the invention which may constitute a statutory bar under 35 U.S.C. 102, which was authorized by or known to the Institution or any contemplated action of this nature.

(g) *Filing of foreign patent applications.* (1) With respect to each Subject Invention in which the Institution elects to retain principal rights in a foreign country pursuant to paragraph (c)(1) of this Agreement, the Institution shall have a patent application filed on the invention in that country, in accordance with applicable statutes and regulations, and within one of the following periods:

(i) Eight months from the date of a corresponding United States application filed by or on behalf of the Institution; or if such an application is not filed, 6 months from the date the invention is submitted in a disclosure pursuant to paragraph (e)(1) of this Agreement;

(ii) Six months from the date a license is granted by the Commissioner of Patents and Trademarks to file foreign applications when such filing has been previously prohibited by security reasons; or

(iii) Such longer periods as may be approved by the Agency.

(2) The Institution shall notify the Agency of foreign applications filed and, upon request, shall furnish an English version of the application without additional compensation.

(h) *Subcontracts.* (1) The Institution shall include the following clause in any subcontract where a purpose of that subcontract is

Institution. The contract and in- tly complete in one skilled in tion pertains a nature, purpose, nt known, the

Agency (A) a copy of the application as filed, including the filing date and serial number, and (B) a copy of an assignment from the inventor or inventors to the Institution of all right, title, and interest in the invention properly recorded in the United States Patent and Trademark Office;

Agency of foreign applications filed and, upon request, shall furnish an English version of the application without additional compensation.

(h) *Subcontracts.* (1) The Institution shall include the following clause in any subcontract where a purpose of that subcontract is

561

the conduct of experimental, developmental, or research work, except when the subcontractor holds an Institutional Patent Agreement with the Agency or the subcontractor refuses as provided in (2) of this paragraph (h).

PATENTS RIGHTS

(a) The Contractor hereby agrees to furnish a complete technical disclosure to the ———— (Institution) within six months after any invention is conceived or first actually reduced to practice in the course of or under this contract (hereinafter referred to as "Subject Invention(s)") and, subject to (b), below, to assign all right, title, and interest in and to such invention to ———— (Institution) or its designee.

(b) At the time the Contractor reports any "Subject Invention" to ———— (Institution) the Contractor, at its option, may also report the invention to the Agency with which the Institution holds the prime contract and request the Agency to determine whether and on what terms the Contractor may retain principal rights in the invention in lieu of assigning it to ———— (Institution). Such determinations by the Agency shall be in accordance with the policies and procedures of 41 CFR 1-9.109-6 and/or applicable Agency regulations. Such determinations shall be final on both the Contractor and ———— , (Institution), *Provided*, That the Contractor may elect not to accept the Agency determination and instead assign all right, title, and interest in the invention to ———— (Institution) or its designee.

(c) In addition, the Contractor agrees to furnish the following materials, disclosures and reports:

(i) Upon request, such duly executed instruments (prepared by the ———— (Institution) or its designee) and such other papers as are deemed necessary to vest in the ———— (Institution) or its designee the rights granted under this clause and to enable the ———— (Institution) or its designee to apply for and prosecute any patent application, in any country, covering such invention.

(ii) A final report, prior to final settlement of this contract, listing all Subject Inventions or certifying that no inventions were conceived or first actually reduced to practice under the contract.

(d) The Contractor shall include in any subcontract a clause identical to this clause, if a purpose of the subcontract is experimental, developmental, or research work. If a Subcontractor refuses to accept this clause or if, in the opinion of the Contractor, this clause is inconsistent with the policy set forth in 41 CFR 1-9.107-3, the Contractor (i) shall promptly notify the Institution and (ii) shall not proceed with the subcontract without the written authorization of the Institution. It is understood that the Institution will seek direction from the (insert name of appropriate Agency).

(e) The contractor shall not be obligated to enforce the agreements of any Subcontractor hereunder relating to the obligations of the Subcontractor to the Government in regard to Subject Inventions.

[End of Clause]

(2) In the event of a refusal by a subcontractor to accept the clause specified in (h)(1) of this agreement, or if, in the opinion of the Institution, this clause is inconsistent with the policy set forth in 41 CFR 1-9.107-3, the Institution (i) shall promptly submit a written notice to the Agency setting forth reasons for the subcontractor's refusal and other pertinent information which may expedite disposition of the matter; and (ii) shall not proceed with the subcontract without the written authorization of the Agency.

(3) It is understood that the Government is a third party beneficiary of any subcontract clause granting rights to the Government in Subject Inventions, and the Institution hereby assigns to the Government all rights that it would have to enforce the subcontractor's obligations for the benefit of the Government with respect to Subject Inventions. The Institution shall not be obligated to enforce the agreements of any subcontractor hereunder relating to the obligations of the subcontractor to the Government in regard to Subject Inventions.

(4) Nothing in this Agreement is intended to preclude the Institution from granting a subcontractor rights or an option to rights in any inventions made by the subcontractor to the extent such rights are consistent with the provisions of this Agreement.

(i) *Administration of inventions in which the Institution elects to retain rights.* (1) The Institution shall administer those Subject Inventions to which it elects to retain title in the public interest and shall, except as provided in subsection (2), below, make them available through licensing on a nonexclusive, royalty-free, or reasonable royalty basis to all qualified applicants.

(2) The Institution may license a Subject Invention on an exclusive basis if it determines that an exclusive license is required in the public interest because (A) it is necessary as an incentive for development of the invention or (B) market conditions are such as to require licensing on an exclusive basis in order to bring the invention to the point of practical application. Any exclusive license issued by the Institution under a U.S. patent or patent application shall be for a limited period of time and such period shall not, unless otherwise approved by the Agency, exceed 5 years from the date of the first commercial sale or use in the United States of America of a product or process

embodying the invent
the date of the exclu
that time before regul
sary to obtain premar
ever occurs first. Such
vide that the licensee
able effort to effect
commercial market as
consistent with sound
ness practices and jud
of the maximum perio
be subject to approval
expiration of the pe
any extension thereof
fered to all qualified a
able royalty rate no
sive license royalty ra

(3) Royalties shall
excess of accepted tra

(4) The Institution
amounts received as r
Subject Invention in
behalf of the Gove
for that refund in an
ring rights to any par

(5) The balance o
after payment of ex
ments to inventors, in
istration of all invent
suant to the provi
shall be utilized for
tion or research.

(6) All licenses issu
parties, other than
United States, under
or patent on a Sub
made expressly subj
this Agreement. The
request, promptly fu
cense agreements to

(j) *Patent Mana*
The Institution shall
Invention to parties
except that, it ma
ment to the follow
organizations-- —
other patent mana
subsequently appro
assignment to a pat
zation shall be made
all the terms and c
ment.

(k) *Reports on De*
cial Use. The Insti
written annual repo
before December 31
the preceding year
regarding the sta
commercial use tha
tended to be made
tion left for admin
tion and the steps
the Institution to br
point of practical a
ports shall include
the status of develo
mercial sale or use,

if a purpose of the subcontract is experimental, developmental, or research work. If a Subcontractor refuses to accept this clause or if, in the opinion of the Contractor, this clause is inconsistent with the policy set forth in 41 CFR 1-9.107-3, the Contractor (i) shall promptly notify the Institution and (ii) shall not proceed with the subcontract without the written authorization left for admin
tion and the steps
the Institution to br
point of practical a
ports shall include
the status of develo
mercial sale or use,

562

embodying the invention, or 8 years from the date of the exclusive license excepting that time before regulatory agencies necessary to obtain premarket clearance, whichever occurs first. Such license shall also provide that the licensee shall use all reasonable effort to effect introduction into the commercial market as soon as practicable, consistent with sound and reasonable business practices and judgment. Any extension of the maximum period of exclusivity shall be subject to approval of the Agency. Upon expiration of the period of exclusivity or any extension thereof, licenses shall be offered to all qualified applicants at a reasonable royalty rate not in excess of the exclusive license royalty rate.

(3) Royalties shall not normally be in excess of accepted trade practice.

(4) The Institution agrees to refund any amounts received as royalty charges on any Subject Invention in procurements for or on behalf of the Government and to provide for that refund in any instrument transferring rights to any party in the invention.

(5) The balance of the royalty income after payment of expenses, including payments to inventors, incidental to the administration of all inventions assigned to it pursuant to the provisions of this Agreement shall be utilized for the support of education or research.

(6) All licenses issued by the Institution to parties, other than the Government of the United States, under any patent application or patent on a Subject Invention shall be made expressly subject to the conditions of this Agreement. The Institution shall, upon request, promptly furnish copies of any license agreements to the Agency.

(j) *Patent Management Organizations.* The Institution shall not assign any Subject Invention to parties other than the Agency; except that, it may make such an assignment to the following patent management organizations— ———— (7)—or any other patent management organization if subsequently approved by the Agency. Any assignment to a patent management organization shall be made subject specifically to all the terms and conditions of this Agreement.

(k) *Reports on Development and Commercial Use.* The Institution shall provide a written annual report to the Agency on or before December 31st of each year covering the preceding year ending September 30th, regarding the status of development and commercial use that is being made or intended to be made of each Subject Invention left for administration to the Institution and the steps that have been taken by the Institution to bring the invention to the point of practical application. (8) Such reports shall include information regarding the status of development, date of first commercial sale or use, gross royalties received by the Institution, and such other data and information as the Agency may reasonably specify. To the extent data or information supplied to this section is considered by a licensee to be privileged or confidential and is so marked, the Agency agrees that, to the extent permitted by law, it will not disclose such information to persons outside the Government.

(l) *Reporting of Policy and Administrative Changes.* The Institution shall promptly notify the Agency of any significant changes in the information submitted by it in support of its request for an Institutional Patent Agreement; particularly, changes in its patent policies or its administrative capabilities.

(m) *Termination.* This Agreement may be terminated by either party upon 30 days written notice. Disposition of rights in and administration of inventions made under contracts subject to this Agreement will not be affected by such a termination; except that, in the event the Government terminates this Agreement because of a failure or refusal by the Institution to comply with any of its obligations under sections (e)(1), (f), (i), and (j) of this Agreement, the Agency has the right to require that the Institution's entire right, title, and interest in and to the particular invention with respect to which the breach occurred be assigned to the United States of America, as represented by the Agency.

(n) *Communications.* (9) Requests for Agency approvals, extensions, or similar actions and other correspondence required by this Agreement should be addressed to ————. Except where specifically provided otherwise in this Agreement, the ———— or his designee shall act as the point of authority within the Agency to grant such approvals, extensions, or take such other Agency actions as may be authorized in this Agreement.

In witness whereof, each of the parties hereto has executed this Agreement as of the day and year below.

UNITED STATES OF AMERICA

By ————————————
Title ————————————
Date ————————————

(Corporate Seal.)

————————————
(Institution)

By ————————————
Title ————————————
Date ————————————

EXHIBIT A.—CONFIRMATORY INSTRUMENT

Application for: ———— (Title of Invention).
Inventor(s) ———— .

tion left for administration to the Institution and the steps that have been taken by the Institution to bring the invention to the point of practical application. (8) Such reports shall include information regarding the status of development, date of first commercial sale or use, gross royalties received

Title ————————————
Date ————————————

EXHIBIT A.—CONFIRMATORY INSTRUMENT

Application for: ———— (Title of Invention).
Inventor(s) ———— .

563

Serial No. ———— Contract (Grant) No. ———— .

Filing Date: ————. Institution ———— .

The invention identified above is a "Subject Invention" under ———— (identify Institutional Patent Agreement number) to which contract (grant) No. ———— with ———— (specify Government agency) was subject.

This document is confirmatory of the paid-up license granted to the Government under this contract (grant) in this invention, patent application, and any resulting patent, and of all other rights acquired by the Government by the referenced Agreement. (*10*)

It is understood and agreed that this document does not preclude the Government from asserting rights under the provisions of said Agreement or of any other agreement between the Government and the Contractor, or any other rights of the Government with respect to the above-identified invention.

The Government is hereby granted an irrevocable power to inspect and make copies of the above-identified patent application.

Signed this —— day of ———— , 19—.

———————————————

(Institution)

———————————————

(Signature)

———————————————

(Print or type name)

———————————————

(Official title)

(End of Agreement)

(*1*) Insert name of Agency.

(*2*) Insert reference to Institution's official policy statements.

(*3*) Some agencies may wish to have the agreement apply to all Subject Inventions reported after the execution of the agreement, even where the contract was entered into prior to the agreement. In such cases, the following language may be substituted:

"This Agreement defines the rights of the parties hereto regarding the allocation of rights in Subject Inventions reported after the execution of the Agreement, including contracts entered into prior to this Agreement, except such contracts as may be specifically excluded by the Agency."

Agencies using this language which wish to exclude any current contracts from the agreement should add a statement such as the following:

"This Agreement shall not apply to the following contracts: * * * "

(*4*) The bracketed language may be deleted but normally it is expected that Institutional Patent Agreements will apply to grants as well as contracts.

(*5*) Agencies may specify a form.

(*6*) Agencies may find it useful to include more detailed instructions here on the format of these reports and the persons to whom they should be supplied. The exact clause may have to be varied according to the agency's normal contract close-out procedures.

(*7*) If none are to be used, insert "none."

(*8*) Different dates may be substituted depending on the Agency's needs.

(*9*) Insert applicable addresses and officers.

(*10*) in accordance with Section (d)(1) of the Agreement, if the Agency has determined that a license for State and domestic municipal governments will not be obtained, the following should be added to the Confirmatory Instrument:

"The license granted to the Government does not include State and domestic municipal governments."

[40 FR 19814, May 7, 1975, as amended at 43 FR 4424, Feb. 2, 1978]

§ 1-9.107-7 Clause for foreign contracts.

A Patent Rights clause shall be included in every contract having as one of its purposes the conduct of experimental, developmental, or research work which is to be performed outside the United States, its possessions, or Puerto Rico. The clauses authorized for domestic contracts in §§ 1-9.107-5 and 1-9.107-6 may be used or replaced by any other clause tailored to meet the requirements peculiar to the foreign procurement.

§ 1-9.108 [Reserved]

§ 1-9.109 Administration of Patent Rights clauses.

§ 1-9.109-1 Patent Rights follow-up.

It is important that the Government and the contractor know and exercise their rights in inventions conceived or actually reduced to practice in the course of or under Government contracts in order to ensure their expeditious availability to the public, to enable the Government, the contractor, and the public to avoid unnecessary payment of royalties, and to defend themselves against claims and suits for patent infringement. To attain these ends, contracts having

Patent Rights clause
ministered that:
(a) Inventions ar
closed, and reported
contract clauses;
(b) The rights of t
such inventions are
(c) When appropri
cations are timely fi
by contractors or by
(d) The filing of p
is documented by fo
such as licenses or a
(e) Expeditious c
tion of such inventio

§ 1-9.109-2 Follow-up

Each contractor s
maintain effectiv
ensure that inventio
contract are identif
when appropriate, p
filed, and that t
rights therein are es
tected. When it is
the award of a con
tractor or subcontra
a clear understand
and obligations of t
Patent Rights claus
entation conferen
be used by the Gov
these rights and obl
viewing a contracto
ticular attention sh
certaining their eff
tifying and disclosin

§ 1-9.109-3 Follow-up

Each Governmen
dertake to ensure
contractor with the
Patent Rights clau
This effort should
ily toward contract
about which there
the contractors ma
with their contra
Other contracts
should be spotchec
These follow-up act
(a) Reviewing tec
mitted by the contr
(b) Checking so
issued to the contr
ed to his Governme
(c) Interviewing
nel regarding work
observing the wo

Agencies using this language which wish to exclude any current contracts from the agreement should add a statement such as the following:

"This Agreement shall not apply to the following contracts: * * * "

sary payment of royalties, and to defend themselves against claims and suits for patent infringement. To attain these ends, contracts having

564

ed to his Governme
(c) Interviewing
nel regarding work
observing the wo

40-104 O—79——37

Patent Rights clauses should be so administered that:

(a) Inventions are identified, disclosed, and reported as required by the contract clauses;

(b) The rights of the Government in such inventions are established;

(c) When appropriate, patent applications are timely filed and prosecuted by contractors or by the Government;

(d) The filing of patent applications is documented by formal instruments such as licenses or assignments; and

(e) Expeditious commercial utilization of such inventions is achieved.

§ 1-9.109-2 Follow-up by contractor.

Each contractor shall establish and maintain effective procedures to ensure that inventions made under the contract are identified, disclosed, and when appropriate, patent applications filed, and that the Government's rights therein are established and protected. When it is determined after the award of a contract that the contractor or subcontractor may not have a clear understanding of the rights and obligations of the parties under a Patent Rights clause, a post-award orientation conference or letter should be used by the Government to explain these rights and obligations. When reviewing a contractor's procedures, particular attention shall be given to ascertaining their effectiveness for identifying and disclosing inventions.

§ 1-9.109-3 Follow-up by Government.

Each Government agency shall undertake to ensure compliance by the contractor with the obligations of the Patent Rights clause of the contract. This effort should be directed primarily toward contracts and subcontracts about which there is reason to believe the contractors may not be complying with their contractual obligations. Other contracts and subcontracts should be spotchecked when feasible. These follow-up activities may include:

(a) Reviewing technical reports submitted by the contractor;

(b) Checking sources for patents issued to the contractor in fields related to his Government contracts;

(c) Interviewing contractor personnel regarding work under the contract, observing the work on site, and inspecting laboratory notebooks and other records of the contractor related to work under the contract; and

(d) Interviewing agency technical personnel concerning novel developments in contracts under their cognizance.

[40 FR 19821, May 7, 1975; 40 FR 28068, July 3, 1975]

§ 1-9.109-4 Remedies.

If the contractor operating under the Patent Rights clauses of § 1-9.107-5 fails to establish, maintain, or follow effective procedures for identifying and disclosing inventions as required by the Patent Rights clause or fails to correct any deficiency after notice thereof, the contracting officer may require the contractor to make available for examination books, records and documents relating to inventions in the same field of technology as the contract to enable an agency determination of whether there are such inventions, and may invoke the withholding of payments provision. Further, the contracting officer may invoke the withholding of payments provision if the contractor fails to disclose an invention deemed by the agency to be a Subject Invention.

§ 1-9.109-5 Conveyance of invention rights acquired by the Government.

(a) Where the Government acquires the entire right, title, and interest in an invention pursuant to a contract, assignments are required from the inventor to the contractor and from the contractor to the Government, or from the inventor to the Government with the consent of the contractor, to establish clearly the chain of title from the inventor to the Government. The form of conveyance of title from the inventor to the contractor must be legally sufficient to convey the rights the contractor is required to convey to the Government. The optional form of assignment set forth hereinafter provides the complete chain of title in a single instrument and may be used to convey title to the Government. Alternatively, if separate assignments are used, both documents shall be forwarded simultaneously to the agency for recording.

40-104 O—79——37

ASSIGNMENT

Inventor(s): ————————————
Contractor: ————————————
Contracting Government Agency: ————
Contract No.: ————————————
Application Title: ————————————
Contractor's Invention Docket No.:————
Agency Invention Docket No.: ————
Serial No.: ———— Filing Date: ————

Date(s) Inventor(s) Executed Oath: ———

The undersigned Inventor(s), in recognition of his (their) obligation as employee(s) of the Contractor to assign inventions to the Contractor, and pursuant to the obligations of the Contractor to the Government under the above contract hereby assigns (assign) to the United States of America, as represented by the above-identified agency, the entire right, title, and interest in and to each invention disclosed and claimed in the above U.S. patent application and any substitution, division, continuation-in-part, or continuation of such patent application and any application for reissue of any patent resulting from such patent application, subject to the reservation of the following license, if any, to the Contractor.

The license reserved to the Contractor shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include the right to grant sublicenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded. The license shall be transferable only with approval of the agency except when transferred to the successor of that part of the Contractor's business to which such invention pertains.

The Inventor(s) further agrees (agree) to assist the Contractor and the Government upon request by furnishing any available information and documents, performing all acts, and doing all things which may be reasonably necessary to make this assignment effective.

The Contractor joins in and agrees to this assignment and except for the above reservation of a license, if any, relinquishes and assigns the entire right, title, and interest in and to such inventions, and further agrees to furnish to the Government upon request any available information and documents necessary for the prosecution of the above-identified application for patent.

Signed this ——— day of ————, 19—.
[SEAL] ————————————
(Inventor)
Attest: ————————————
Repeat above for each inventor.

Signed this ——— day of ————, 19—.

————————————
(Contractor's Official and Title)
Attest: ————————————
Accepted and agreed to on behalf of the Government

————————————
(Agency Official)

————————————
(Date)

(b) When the clause of § 1-9.107-5(b) is included in a contract or when a party retains title to an identified invention and the right to file a patent application pursuant to a greater rights determination of § 1-9.109-6, the optional form of Confirmatory Instrument set forth hereinafter is approved for use by the contractor or by the party retaining title.

CONFIRMATORY INSTRUMENT

(License to the Government)

Application for: ————————————
(Title of invention)
Inventor(s): ————————————
Serial No.: ———— Contract No.: ————
Filing Date: ———— Contractor: ————
The invention identified above is a "Subject Invention" under Patent Rights clause,

————————————
(identify clause)
(———) (date) included in Contract No. ———with ———— (specify agency).

This document is confirmatory of the paid-up license granted to the Government in this invention, patent application, and any resulting patent, and all other rights acquired by the Government under the referenced contract.

It is understood and agreed that this document does not preclude the Government from asserting rights under the provisions of said contract or of any other agreement between the Government and the Contractor, or any other rights of the Government with respect to the above-identified invention.

The Government is hereby granted an irrevocable power to inspect and make copies of the above-identified patent application.

Signed this ——— day of ————, 19——.
[SEAL] ————————————
Applicant or Assignee (Recorded)
By ————————————
ATTEST: ————————————

————————————
Business Address

(c) Assignments, l
tory instruments, a
evidencing any right
ment in patents or p
shall be recorded
Register and/or do
Governmental Regis
the U.S. Patent and
pursuant to Execu
February 18, 1944.
shall be sent to the
Patents and Trade
Assignment Branch,
20231, and when the
recorded in the St
shall be accompanie
fee. When the docun
the Statutory Regis
Trademark Office pl
recording in the Go
ter. If the agency d
document recorded
Register, it shall s
the document to th
Patents and Trade
that these document
ignated section of
Register. The Gove
contains several se
secret, departmenta
tion. The secret sec
tions bearing a secu
the departmental s
ments which are a
ernment and to the
approval of the G
and the public sect
to the public.

§ 1-9.109-6 Retention

(a) *Request for the
er domestic rights.*
quest for a deter
retain greater dom
identified invention
Rights clauses of §
or § 1-9.107-6 shall
writing to the agenc

(1) The request sh
lowing information:

(i) The prime co
the subcontract nu
under which the in
and an identificati
contracting office;

(ii) A brief descri
tion or a copy of th
sure;

Signed this ——— day of ————, 19—.
[SEAL] ————————————
(Inventor)
Attest: ————————————
Repeat above for each inventor.

Applicant or Assignee (Recorded)
By ————————————
ATTEST: ————————————

————————————
Business Address

566

and an identificati
contracting office;

(ii) A brief descri
tion or a copy of th
sure;

(c) Assignments, licenses, confirmatory instruments, and other papers evidencing any rights of the Government in patents or patent applications shall be recorded in the Statutory Register and/or documented in the Governmental Register maintained by the U.S. Patent and Trademark Office pursuant to Executive Order 9424, February 18, 1944. Such documents shall be sent to the Commissioner of Patents and Trademarks, Attention: Assignment Branch, Washington, D.C. 20231, and when the document is to be recorded in the Statutory Register, shall be accompanied by the required fee. When the document is recorded in the Statutory Register, the Patent and Trademark Office places a copy of this recording in the Governmental Register. If the agency does not have the document recorded in the Statutory Register, it shall send two copies of the document to the Commissioner of Patents and Trademarks and request that these documents be filed in a designated section of the Governmental Register. The Governmental Register contains several sections including a secret, departmental, and public section. The secret section is for applications bearing a security classification; the departmental section is for documents which are available to the Government and to the public only upon approval of the Government agency; and the public section permits access to the public.

§ 1-9.109-6 Retention of greater rights.

(a) *Request for the retention of greater domestic rights.* A contractor's request for a determination that he retain greater domestic rights in an identified invention under the Patent Rights clauses of § 1-9.107-5 (a) or (c) or § 1-9.107-6 shall be submitted in writing to the agency.

(1) The request shall contain the following information:

(i) The prime contract number and the subcontract number, if applicable, under which the invention was made and an identification of the agency's contracting office;

(ii) A brief description of the invention or a copy of the invention disclosure;

(iii) The nature and extent of the rights desired;

(iv) A description of the development, risk capital and expense, and time required to bring the invention to the point of practical application;

(v) A statement of the contractor's plans and intentions to bring the invention to the point of practical application including:

(A) If further development and marketing are to be conducted by the contractor, a description of the facilities, personnel, and marketing outlets available for that purpose, and the extent to which such development is to be undertaken by the contractor or others on his behalf and/or;

(B) If licensing of the invention is intended, a brief description of the contractor's licensing program; and

(vi) A statement, where the invention falls within § 1-9.107-3(a), of the contractor's contribution when the contention is made that the Government's contribution to the invention is small compared to his contribution.

(2) Agencies may request additional information which would facilitate a determination that greater rights should be retained by the contractor. Illustrations of such items of information include the following:

(i) The relationship of the invention to a principal purpose of the contract;

(ii) Any facts or information known to the contractor about whether the invention is intended to be developed by the Government for commercial use or is to be required for such use by governmental regulation;

(iii) The relationship, if any, of the invention to the public health, safety, or welfare; and

(iv) The field of science and technology of the invention and whether the Government has been the principal developer of this field.

(3) The contractor's employee(s) who made an invention in the course of or under a contract may also request, with proper authorization from his employer, a determination that he retain greater rights whenever the contract so provides. A copy of the authorization of the contractor-employer should be submitted with the employee-inventor's request for such a determination. In submitting the informa-

tion required for a determination for the retention of greater rights as provided in § 1-9.109-6(a)(1), and in applying the other provisions of this paragraph, the term contractor shall be understood to also mean the employee-inventor.

(b) *Reimbursement of costs for filing patent applications.* In order to protect the interest of the Government and the party submitting a request for a determination that greater rights be retained, the filing of a United States patent application prior to the agency's determination is permissible. If an application on a Subject Invention is filed during the pendency of the determination, or within 60 days prior to the receipt of a request by the agency, the agency shall reimburse the party filing the application for the reasonable filing costs and for any patent prosecution as may have occurred as provided by § 1-15.205-26 or § 1-15.309-22. Whenever such costs are not covered by § 1-15.205-26 or § 1-15.309-22, the agency may nevertheless reimburse the party causing the application to be filed for the reasonable costs of such filing and for any patent prosecution that may have occurred, subject to the availability of funds, provided:

(1) The agency determines that the party is not entitled to the retention of greater rights which are coextensive with the party's request; and

(2) Prior to reimbursement the party requesting such determination assigns the application to a Government agency and the agency accepts the assignment of the application.

(c) *Agency consideration.* The agency shall consider each request for a determination for the retention of greater domestic rights which was submitted within the period specified in the Patent Rights clause and shall make the determination in accordance with the criteria set out in paragraphs (d) or (e) of this section, as applicable.

(d) *Criteria for a determination for the retention of greater rights—Acquisition by the Government clause.* When the request for a determination for the retention of greater rights relates to an invention reported under the Patent Rights clause of § 1-9.107-5(a) or § 1-9.107-6(a):

(1) The requesting party may retain greater rights regardless of whether the invention is or is not directly related to a principal purpose of the contract when the agency finds that the invention comes within the criteria of § 1-9.107-3(a) (1) through (4); and

(i) The retention of greater rights is a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application; or

(ii) The Government's contribution to the invention is small compared to that of the contractor.

(2) The requesting party also may retain greater rights when the agency finds that:

(i) The invention is not directly related to a principal purpose of the contract and does not come within the criteria of § 1-9.107-3(a)(1) through (4); and

(ii) The likelihood is that the invention will be more expeditiously developed to the point of practical application by the intentions and plans of the requesting party than by the activities of the Government.

(e) *Criteria for a determination for the retention of greater rights—Deferred clause.* When the request for a determination for the retention of greater rights relates to an invention reported under the Patent Rights clause of § 1-9.107-5(c) or § 1-9.107-6(b),

(1) The requesting party may retain greater rights where the agency finds:

(i) The invention does not come within the criteria of § 1-9.107-3(a) (1) through (4); and

(ii) The likelihood is that the invention will be more expeditiously developed to the point of practical application by the intentions and plans of the requesting party than by the activities of the Government.

(2) The requesting party may retain greater rights when an agency finds that the invention comes within the criteria of § 1-9.107-3(a) (1) through (4); and

(i) The retention of greater rights is a necessary incentive to call forth risk capital and expense to bring the invention to the point of practical application; or

(ii) The Government
to the invention is sm
that of the contractor.

(f) *Agency determin
rights.* (1) The agency
party requesting a de
the retention of great
decision. If the agency
is not coextensive with
quest, the agency sh
party of the reasons
final action is based.

(2) Where the dete
vides for the requ
retain title, the determ
quire that a domestic
tion be filed on the in
requesting party, and
provisions shall apply:

(i) The application
within 6 months from
determination, or such
as may be authorized i
agency for good cause
ing by the requesting p

(ii) For each patent
the party shall:

(A) Within 2 mon
filing or within 2 m
date of a determinati
application previously
deliver to the agency
plication as filed, incl
date and serial number

(B) Include the foll
in the second paragra
cation of the applicat
sulting patent: "The
rights in this inventi
Contract No. ———
———) awarded by
agency).";

(C) Within 6 mon
filing, or within 6 m
mission of the invent
the patent application
ously filed, deliver t
duly executed and
ment prepared by t
fully confirmatory of
which the Governmen
provide the agency
power to inspect and
the patent application

(D) Provide the age
of the patent within 2
patent is issued on
and

sition by the Government clause. When the request for a determination for the retention of greater rights relates to an invention reported under the Patent Rights clause of § 1-9.107-5(a) or § 1-9.107-6(a):

(i) The retention of greater rights is a necessary incentive to call forth risk capital and expense to bring the invention to the point of practical application; or

power to inspect and the patent application

(D) Provide the age of the patent within 2 patent is issued on and

568

(ii) The Government's contribution to the invention is small compared to that of the contractor.

(f) *Agency determination—Domestic rights.* (1) The agency shall notify the party requesting a determination for the retention of greater rights of its decision. If the agency's determination is not coextensive with the party's request, the agency shall inform the party of the reasons on which the final action is based.

(2) Where the determination provides for the requesting party to retain title, the determination shall require that a domestic patent application be filed on the invention by the requesting party, and the following provisions shall apply:

(i) The application shall be filed within 6 months from the date of the determination, or such longer period as may be authorized in writing by the agency for good cause shown in writing by the requesting party;

(ii) For each patent application filed, the party shall:

(A) Within 2 months after such filing or within 2 months after the date of a determination if such patent application previously has been filed, deliver to the agency a copy of the application as filed, including the filing date and serial number;

(B) Include the following statement in the second paragraph of the specification of the application and any resulting patent: "The Government has rights in this invention pursuant to Contract No. ——— (or Grant No. ———) awarded by (identify the agency).";

(C) Within 6 months after such filing, or within 6 months after submission of the invention disclosure if the patent application has been previously filed, deliver to the agency a duly executed and approved instrument prepared by the Government fully confirmatory of all the rights to which the Government is entitled, and provide the agency an irrevocable power to inspect and make copies of the patent application filed;

(D) Provide the agency with a copy of the patent within 2 months after a patent is issued on the application; and

(E) Not less than 30 days before the expiration of the response period for any action required by the Patent and Trademark Office, notify the agency of any decision not to continue prosecution of the application and deliver to the agency executed instruments granting the Government a power of attorney to prosecute the application; and

(iii) If the requesting party fails to file an application within the prescribed time periods, decides not to continue prosecution of the application, or no longer desires to retain title, he shall convey to the Government, upon request, his entire right, title, and interest in the invention, and to any corresponding patent application or patent. The conveyance shall be made by delivering to the agency duly executed instruments (prepared by the Government) and, if applicable, such other papers as are deemed necessary to vest in the Government the entire right, title, and interest in the invention and any corresponding patent application, and to enable the Government to prosecute the application.

(3) Where the determination provides for the requesting party to retain title, the determination shall be subject to a license to the Government, and the licensing and the commercial use reporting requirements of paragraph (c) "Minimum rights acquired by the Government," of the Patent Rights clauses of § 1-9.107-5. The determination normally shall also be subject to any other reservation or condition deemed to be appropriate by the agency.

(g) *Agency determination—Foreign rights.* (1) A contractor's request for a determination that he retain greater foreign rights in an invention under the Patent Rights clauses of either § 1-9.107-5 (a) or (c) or § 1-9.107-6 (a) or (b) may accompany a request for a determination that he retain greater domestic rights under § 1-9.109-6(a), or may be submitted independently thereof. The request shall contain the following information:

(i) The prime contract number and the subcontract number, if applicable, under which the invention was made

and an identification of the agency's contracting office;

(ii) A brief description of the invention or a copy of the invention disclosure;

(iii) The countries in which the requesting party intends to file a patent application; and

(iv) Other information required by the agency.

(2) If the Government determines not to file a patent application on a Subject Invention of the contractor in any foreign country, the agency may authorize the requesting party to file a patent application on the invention in such foreign country and to retain the entire right, title, and interest therein if it determines such authorization to be in the public interest, subject to the license to the Government provided in paragraph (c) of the Patent Rights clause in § 1-9.107-5(a) or § 1-9.107-6(a).

(3) Where the determination includes a requirement that the requesting party file and prosecute a foreign patent application on the invention, the following provisions shall apply:

(i) The requesting party shall file and prosecute a patent application on the invention in (identify the foreign countries) in accordance with applicable statutes and regulations and within one of the following periods:

(A) Eight months from the date the corresponding United States patent application is filed by or on behalf of the requesting party; or if such an application is not filed, 6 months from the date of this agreement;

(B) Six months from the date a license is granted by the Commissioner of Patents and Trademarks to file foreign applications where such filing has been prohibited by security reasons; or

(C) Such longer period as may be approved by the agency;

(ii) The requesting party shall notify the agency promptly of each foreign application filed and upon written request of the agency shall furnish an English version of the foreign application without additional compensation; and

(iii) If the requesting party files or causes to be filed a patent application on a Subject Invention in any foreign country, or if a patent is obtained on such application, the party shall notify the agency, not less than 60 days before the expiration period for any action required by the foreign patent office, of any decision not to continue prosecution of the application or not to pay any maintenance fee covering the invention, and within such period shall deliver to the agency:

(A) Executed instruments granting to the Government power of attorney in the application;

(B) An English version of the application, if not previously provided, to the agency; and

(C) Upon request, a conveyance of the party's entire right, title, and interest in the invention in the foreign country, and to any corresponding patent application.

§ 1-9.109-7 Negotiation of institutional patent agreements.

(a) Information to be submitted by nonprofit organization. A nonprofit organization desiring to enter into an Institutional Patent Agreement with an agency shall be required to provide the agency with the following information:

(1) General information concerning the organization including:

(i) A copy of the organization's Articles of Incorporation;

(ii) A statement of the organization's purpose and aims; and

(iii) A statement indicating the source of the organization's funds;

(2) A copy of the organization's established patent policy, together with the date and manner of its adoption;

(3) The name, title, address, and telephone number of the officer responsible for administration of patent and invention matters and a description of staffing in this area, including all offices which contribute to the organization's patent management capabilities;

(4) A description of the organization's procedures for (A) identifying and reporting inventions and (B) for the evaluation of such inventions for inclusion in the organization's promotional program;

(5) A copy of the agreement signed by employees engaged in research and development, indicating their obliga-

tion with regard to inv
ceived or for the first tim
practice in the course of t
duties;

(6) A copy of the inve
form or outline utilized
tion of invention reports;

(7) A statement indica
the organization has a
with any patent manage
zations or consultants a
any such agreements;

(8) A description of the
tentions of the organiza
inventions to the mark
which it retains title, in
scription of the efforts
dertaken by the organi
cense its inventions;

(9) A description of
tion's past patent app
patent licensing activiti
the following:

(i) Number of invention
the organization during
past 5 years;

(ii) Number of paten
filed during each of the p

(iii) Number of pa
during each of the past 5

(iv) Number of excl
issued during each of th

(v) Number of nonexc
other than those to spo
al agencies, issued duri
past 5 years;

(vi) Gross royalty i
each of the past 5 years,

(vii) A general descri
ties charged, including
maximum royalty rates

(10) A list of subsidi
organizations, which wo
by an agreement signe
zation;

(11) If the organizati
ary or affiliate organiza
of the other organizat
scription of the relation

(12) The amount of
each Federal agency fo
development activities c
administered by the org

(13) A statement of
tion's policies with resp
ing of royalties with en

(14) A description o
of any net income gener

and
(iii) If the requesting party files or causes to be filed a patent application on a Subject Invention in any foreign country, or if a patent is obtained on
tional program;
(5) A copy of the agreement signed by employees engaged in research and development, indicating their obliga-
(13) A statement of
tion's policies with resp
ing of royalties with en
(14) A description o
of any net income gener
570

tion with regard to inventions conceived or for the first time reduced to practice in the course of their assigned duties;

(6) A copy of the invention report form or outline utilized for preparation of invention reports;

(7) A statement indicating whether the organization has an agreement with any patent management organizations or consultants and a copy of any such agreements;

(8) A description of the plans and intentions of the organization to bring inventions to the market place to which it retains title, including a description of the efforts typically undertaken by the organization to license its inventions;

(9) A description of the organization's past patent application and patent licensing activities, including the following:

(i) Number of inventions reported to the organization during each of the past 5 years;

(ii) Number of patent applications filed during each of the past 5 years;

(iii) Number of patents obtained during each of the past 5 years;

(iv) Number of exclusive licenses issued during each of the past 5 years;

(v) Number of nonexclusive licenses, other than those to sponsoring Federal agencies, issued during each of the past 5 years;

(vi) Gross royalty income during each of the past 5 years;

(vii) A general description of royalties charged, including minimum and maximum royalty rates;

(10) A list of subsidiary or affiliate organizations, which would be covered by an agreement signed by the organization;

(11) If the organization is a subsidiary or affiliate organization, the name of the other organization and a description of the relationship;

(12) The amount of support from each Federal agency for research and development activities currently being administered by the organization;

(13) A statement of the organization's policies with respect to the sharing of royalties with employees; and

(14) A description of the uses made of any net income generated by the organization's patent management program.

(b) *Criteria for evaluation of a technology transfer program.* Before an Institutional Patent Agreement is entered into with a nonprofit organization, the organization shall have a technology transfer program which, as a minimum, shall include:

(1) An established patent policy which is consistent with the policy in § 1 9.107 3 and is administered on a continuous basis by an officer or an organization responsible to the organization;

(2) Agreements with employees requiring them to assign to the organization, its designee, or the Government any invention conceived or first actually reduced to practice in the course of or under Government contracts or assurance that such agreements will be obtained from employees prior to the assignment of employees to Government-supported research and development projects;

(3) Procedures for prompt invention identification and timely disclosure to the officer or organization administering the patent policy of the institution;

(4) Procedures for invention evaluation; and

(5) An active and effective promotional program for the licensing and marketing of inventions.

(c) *Federal Coordinating Council for Science, Engineering, and Technology List.* A list of organizations that have technology transfer programs meeting the critieria set forth in § 1-9.109-7(b), prepared by a subcommittee of the Committee on Intellectual Property and Information of the Federal Coordinating Council for Science, Engineering, and Technology, may be used in lieu of individual agency determinations of eligibility for Institutional Patent Agreements. However, the inclusion of an organization on the list will not preclude the agency from declining an application for an Institutional Patent Agreement. It is also expected that the list may be used by some agencies in connection with greater rights determinations or requests for the inclusion of clauses in contracts giving the nonprofit organization the first option to principal

(13) A statement of the organization's policies with respect to the sharing of royalties with employees; and

(14) A description of the uses made of any net income generated by the organization's patent management program.

(b) *Criteria for evaluation of a technology transfer program.* Before an Institutional Patent Agreement is entered into with a nonprofit organization, the organization shall have a technology transfer program which, as a minimum, shall include:

(1) An established patent policy which is consistent with the policy in § 1 9.107 3 and is administered on a continuous basis by an officer or an organization responsible to the organization;

(2) Agreements with employees requiring them to assign to the organization, its designee, or the Government any invention conceived or first actually reduced to practice in the course of or under Government contracts or assurance that such agreements will be obtained from employees prior to the assignment of employees to Government-supported research and development projects;

(3) Procedures for prompt invention identification and timely disclosure to the officer or organization administering the patent policy of the institution;

(4) Procedures for invention evaluation; and

(5) An active and effective promotional program for the licensing and marketing of inventions.

(c) *Federal Coordinating Council for Science, Engineering, and Technology List.* A list of organizations that have technology transfer programs meeting the critieria set forth in § 1-9.109-7(b), prepared by a subcommittee of the Committee on Intellectual Property and Information of the Federal Coordinating Council for Science, Engineering, and Technology, may be used in lieu of individual agency determinations of eligibility for Institutional Patent Agreements. However, the inclusion of an organization on the list will not preclude the agency from declining an application for an Institutional Patent Agreement. It is also expected that the list may be used by some agencies in connection with greater rights determinations or requests for the inclusion of clauses in contracts giving the nonprofit organization the first option to principal

rights in inventions made under the contract.

[43 FR 4427, Feb. 2, 1978]

PART 1-10—BONDS AND INSURANCE

Sec.
1-10.000 Scope of part.

Subpart 1-10.1—Bonds

1-10.100 Scope of subpart.
1-10.101 Applicability.
1-10.102 Definitions.
1-10.102-1 Bond.
1-10.102-2 Bid guarantee.
1-10.102-3 Performance bond.
1-10.102-4 Payment bond.
1-10.102-5 Advance payment bond.
1-10.102-6 Patent infringement bond.
1-10.102-7 Construction contract.
1-10.102-8 Annual bid bond.
1-10.102-9 Annual performance bond.
1-10.102-10 Consent of surety.
1-10.102-11 Penal sum or amount.
1-10.103 Bid guarantees.
1-10.103-1 Policy on use.
1-10.103-2 Amount required.
1-10.103-3 Invitation for bids provisions.
1-10.103-4 Failure to submit proper bid guarantee.
1-10.104 Performance bonds.
1-10.104-1 Construction contracts.
1-10.104-2 Other than construction contracts.
1-10.104-3 Annual performance bonds.
1-10.105 Payment bonds.
1-10.105-1 Construction contracts.
1-10.105-2 Other than construction contracts.
1-10.105-3 Furnishing information to subcontractors and suppliers.
1-10.106 Advance payment bonds.
1-10.107 Patent infringement bonds.
1-10.108 Other types of bonds.
1-10.109 Execution and administration of bonds.

Subpart 1-10.2—Sureties on Bonds

1-10.201 General.
1-10.202 Corporate sureties.
1-10.203 Individual sureties.
1-10.204 Options in lieu of sureties.
1-10.204-1 United States bonds or notes.
1-10.204-2 Certified or cashier's checks, bank drafts, money orders, currency, or irrevocable letters of credit.
1-10.205 Consent of surety.
1-10.206 Furnishing information to sureties.

Subpart 1-10.3—Insurance—General

1-10.300 Scope of subpart.
1-10.301 General.
1-10.302 Notice of cancellation or change.
1-10.303 Responsibility for loss of or damage to Government property.
1-10.304 Insurance against loss of or damage to Government property.
1-10.305 Procedures to be followed in the event of loss or damage to Government property.

Subpart 1-10.4—Insurance Under Fixed-Price Contracts

1-10.400 Scope of subpart.
1-10.401 Policy.
1-10.402 Workmen's Compensation insurance overseas.

Subpart 1-10.5—Insurance Under Cost-Reimbursement Type Contracts

1-10.500 Scope of subpart.
1-10.501 Policy.
1-10.502 Types of insurance.
1-10.502-1 Workmen's compensation and employers' liability insurance.
1-10.502-2 General liability insurance.
1-10.502-3 Automobile liability insurance.
1-10.502-4 Aircraft public and passenger liability insurance.
1-10.502-5 Vessel collision liability and protection and indemnity liability insurance.
1-10.503 Self-insurance.
1-10.504 Government property. [Reserved]

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

SOURCE: 29 FR 10247, July 24, 1964, unless otherwise noted.

§ 1-10.000 Scope of part.

This part prescribes policies and procedures with respect to the use of bonds and insurance in connection with procurement contracts. Specifically dealt with are such subjects as bid guarantees, bonds, sureties, and insurance.

Subpart 1-10.1—Bonds

§ 1-10.100 Scope of subpart.

This subpart deals, primarily, with the use of bonds. It deals also, however, with the use of bid guarantees which, while most frequently in bond form, may take other forms.

§ 1-10.101 Applicability.

This Subpart 1-10.1 is applicable both to negotiated and formally adver-

used procurements. to negotiated procu "bid" and "invitatio in this subpart sha include their counte posal" and "reques and the substitut terms whenever appr ized.

§ 1-10.102 Definitions.

As used in this su ing terms have the i in this § 1-10.102.

§ 1-10.102-1 Bond.

"Bond" means a w executed by a bidd identified in the i "principal", togeth party, identified in the "surety", to secu the bidder or contra tions as set out in th event of his failure payment of any loss party for whose pro (including any nece or reinsurance agre nished, to the exten bond.

[42 FR 56116, Oct. 21, 1

§ 1-10.102-2 Bid guara

"Bid guarantee" m mitment, such as a money order, certifi check, irrevocable l certain bonds or no States, accompanyi ance that the bidder ance of his bid, exe tual documents as m any, and give bond(s specified after the fo to him.

§ 1-10.102-3 Performa

"Performance bon executed in connecti to secure fulfillment tor's obligations und

§ 1-10.102-4 Payment i

"Payment bond" executed in connectio to assure payment a of all persons suppl

irrevocable letters of credit.
1-10.205 Consent of surety.
1-10.206 Furnishing information to sureties.

Subpart 1-10.3—Insurance—General

1-10.300 Scope of subpart.

§ 1-10.000 Scope of part.

This part prescribes policies and procedures with respect to the use of bonds and insurance in connection with procurement contracts. Specifically dealt with are such subjects as bid guarantees, bonds, sureties, and insurance.

Subpart 1-10.1—Bonds

§ 1-10.100 Scope of subpart.

This subpart deals, primarily, with the use of bonds. It deals also, however, with the use of bid guarantees which, while most frequently in bond form, may take other forms.

§ 1-10.101 Applicability.

This Subpart 1-10.1 is applicable both to negotiated and formally adver-

§ 1-10.102-4 Payment i

"Payment bond" executed in connectio to assure payment a of all persons suppl

federal register

Wednesday
March 18, 1987

Part II

Department of Commerce

Office of the Assistant Secretary for Productivity, Technology and Innovation

37 CFR Part 401

Rights to Inventions Made by Nonprofit Organizations and Small Business Firms; Final Rule

fr

DEPARTMENT OF COMMERCE

Office of the Assistant Secretary for Productivity, Technology and Innovation

37 CFR Part 401

[Docket No. 41278-7006]

Rights to Inventions Made by Nonprofit Organizations and Small Business Firms

AGENCY: Assistant Secretary for Productivity, Technology and Innovation.

ACTION: Final rule.

SUMMARY: Public Law 98-620 amended Chapter 18 of Title 35, United States Code, dealing with patent rights in inventions made with Federal funding by nonprofit organizations and small business firms. It also reassigned responsibility for the promulgation of regulations implementing 35 U.S.C. 202 through 204 and the establishment of standard funding agreement provisions from the Office of Mangement and Budget (OMB) to the Secretary of Commerce. This rule makes final the interim final rule published in the **Federal Register** on July 14, 1986, and incorporates minor changes as a result of comments received on the interim final rule.

EFFECTIVE DATE: April 17, 1987.

FOR FURTHER INFORMATION CONTACT: Mr. Norman Latker, Director, Federal Technology Management Policy Division, Office of Productivity, Technology and Innovation, U.S. Department of Commerce, Room 4837, Washington, DC 20230. Phone: 202-377-0659.

SUPPLEMENTARY INFORMATION:

Background

Public Law 98-620 amended Chapter 18 of Title 35, United States Code, and assigned regulatory authority to the Secretary of Commerce. The Secretary has delegated his authority under 35 U.S.C. 206 to the Assistant Secretary for Productivity, Technology and Innovation. Section 206 of Title 35 U.S.C. requires that the regulations and the standard funding agreement be subject to public comment before their issuance. Accordingly, on April 4, 1985, the Assistant Secretary published a notice of proposed rulemaking in the **Federal Register** (50 FR 13524) for public comment. As noted at that time, the regulation closely follows OMB Circular A-124 which the regulation replaced. Differences between the proposed rule and the Circular were highlighted in Supplementary Information accompanying the notice of proposed rulemaking.

Additionally, to comply fully with section 206 of Title 35 U.S.C., the Department published in the **Federal Register** (51 FR 25508) on July 14, 1986, a final interim rule and requested comments by September 12, 1986.

Copies of all comments received were made available for public inspection in the Department's Central Reference Records Inspection Facility (CRRIF), Room 6628 in the Hoover Building.

Information about the availability of these records for inspection may be obtained from Mrs. Hedy Walters at (202) 377-3271.

Treatment of Substantative Comments on Interim Final Rule.

A number of comments from eight (8) different sources were received on the interim final rule in response to the July 14, 1986 notice.

The Department of Energy (DOE) submitted five comments on the interim final rule. All of the comments were found to have merit and have been incorporated in the final rule as follows:

DOE's first comment relates to a suggested clarification in the discussion portion of the interim final rule relating to § 401.3(a) (2). DOE's concern is that the discussion suggests that the right of the government to declare exceptional circumstance for national security reasons is limited to "some limited situations" and that application of this section is therefore limited to situations where the invention report is classified. DOE correctly points out that this is not consistent with the actual language of the regulation. We agree that the words "some limited situations" should not have been included in the discussion portion of the July 14, 1986 notice.

DOE's second comment states that the reference in the discussion portion of the interim final rule, in § 401.14(b) to nuclear weapons programs is inaccurate. We agree that the word nuclear should not have been included in the discussion of § 401.14(b).

DOE's third comment suggests that § 401.3(c) be revised to be consistent with § 401.14(b), which permits DOE to draft a substitute clause. We agree and have included the words, "or substitute thereto" after the reference to § 401.14(b) in § 401.3(c).

Another DOE comment suggests that § 401.13(c) (2) goes beyond the similar provision of OMB Circular A-124 by appearing to preclude confidential disclosure of patent applications or information which is part of a patent application obtained under the clause to other agencies or contractors of government agencies. We have clarified this by adding the following additional language to the end of § 401.13(c) (2):

> This prohibition does not extend to disclosure to other government agencies or contractors of government agencies under an obligation to maintain such information in confidence.

DOE also suggests that § 401.13(c)(3) is unnecessary in view of § 401.13(c)(1). However, DOE suggests that if it is retained, § 401.13(c)(3) should be limited to the same time period as § 401.13(c)(1). We agree but have made no change because the language of § 401.13 (c) (3) already refers back to and incorporates the § 401.13(c)(3) already refers back to and incorporates the § 401.13(b)(1) limitation.

DOE also states that in § 401.15, first sentence, third word from the last word, "of" should be "or". We agree and have made this change.

Finally, DOE suggests that § 401.15(b) should have the following five words added at the end: "Unless it has been licensed." We agree and have included these five words at the end of § 401.15(b).

Another person submitted six comments which have been treated as follows:

The first comment suggests that a statement be added to § 401.3(c) as follows: "the Department of Energy may only exercise the exception at § 401.3(a) (4) with regard to inventions at the facility that are made directly and primarily with funds provided by either the Department's naval nuclear propulsion or nuclear weapons related programs." This comment was not accepted since the statute does not use these terms. Further, all determinations made under section 401(a)(4) by DOE are subject to review by the Department of Commerce under § 401.14(f) and each determination will be examined to ensure compliance with the law.

The second comment points out that in order to make a determination under § 401.3(a) (4), an agency must find one of the conditions set out in § 401.3(a) (1), (2) or (3). We disagree with this interpretation as § 401.3(a) (4) is independent of § 401.3(a) (1), (2) and (3).

A third comment suggests that consideration should be given to adding language to § 401.5(g) requiring the contractor to return a significant or a major portion of income to the facility at which the invention was made. This issue was disposed of in the earlier interim final rule notice of July 14, 1986, on page 25509 under the discussion of § 401.5(f). The matter of royalty disposal is one that is best left to negotiations between the interested parties.

Assistant Secretary published a notice of proposed rulemaking in the **Federal Register** (50 FR 13524) for public comment. As noted at that time, the regulation closely follows OMB Circular A-124 which the regulation replaced. Differences between the proposed rule and the Circular were highlighted in Supplementary Information

Another DOE comment suggests that § 401.13(c) (2) goes beyond the similar provision of OMB Circular A-124 by appearing to preclude confidential disclosure of patent applications or information which is part of a patent application obtained under the clause to other agencies or contractors of government agencies. We have clarified

contractor to return a significant or a major portion of income to the facility at which the invention was made. This issue was disposed of in the earlier interim final rule notice of July 14, 1986, on page 25509 under the discussion of § 401.5(f). The matter of royalty disposal is one that is best left to negotiations between the interested parties.

The fourth comment relates to the language in § 401.5(g) regarding the physical location of contractor employees responsible for licensing of facility inventions. The comment suggests that 401.5(g) expressly state that contractors be obligated to maintain personnel responsible for licensing at the facility. However, another person requested that the subsection not be interpreted strictly to *require* that such a person be physically located at the facility. Section 202(c)(7)(C) of Pub. L. 98–620 indicates that licensing be done at the facility, "to the extent it provides the most effective technology transfer . . .". We believe this language precludes arbitrarily requiring that licensing personnel be located at the facility.

A fifth comment recommended requiring DOE funding agreements to conform to the language prescribed by § 401.14(b)(2) when the exception at § 401.3(a)(4) is used. This was not accepted. Although we have, in fact, permitted DOE to use a substitute clause for that set out in § 401.14(b)(2), we will be reviewing all agency regulations including DOE's to ensure compliance with the law and regulations, including all substitute clauses contained in agency regulations.

The final comment of this second person is that we modify the statement in § 401.15(a) that "within 90 days after receiving . . ." to read: Within 90 days after receiving a request and supporting information or sooner if a statutory bar to patenting is imminent, the agency shall either make a determination or inform the contractor of why a determination has not yet been made and when one can reasonably be expected." This comment was not accepted. At this time, this is a matter best left to the parties to determine on a case-by-case basis.

A number of comments were also received regarding a typographical error in the "Background" section on page 25510 of the July 14, 1986 **Federal Register** notice. The word "not" was inadvertently left out of the last sentence of the first paragraph discussing § 401.7. The sentence should have read as follows: "this change has been made because small business preference is not intended to inhibit industrial support of university research."

Two comments were received that relate to the exceptions to be made for handling of inventions if they are under research at a government-owned, contractor-operated facility (GOCO):

The first comment relates to the requirement in § 401.5(g) that specifies that income be used for purposes "consistent with research and development mission and objectives of the facility." The commenter suggests it would be preferable that a university be able to direct the net royalty income to the most promising research needs, which may not necessarily be consistent with the objective of the GOCO facility. We cannot accept this suggestion since the language in the regulation is based on the statute—Pub. L. 98–620.

The second comment goes on to state that § 401.5(g) further specifies that if a licensing program is successful, then above a certain point, 75 percent is to be paid to the U.S. Treasury. The suggestion is that this reduces the incentive to be successful, and recommends the deletion of this requirement. Again, we cannot accept this suggestion since the regulatory language herein is based on the statute—Pub. L. 98–620.

A third comment references the special clause entitled, "patent rights to nonprofit DOE facility operations." The comment states that this clause removes a subject invention funded by the naval nuclear propulsion or weapons related programs of DOE from the normal presumption of rights to the contractor, and requires the petitioning process that was in effect before the enactment of Pub. L. 96–517. The concern is that if these programs are exempted, then there may be additional proposals to delete other programs from the full operations of Pub. L. 96–517. The comment then concludes by recommending that this special clause not be implemented. We cannot accept this recommendation since the statute, Pub. L. 98–620, gives DOE the discretionary authority to use this for its naval nuclear propulsion or weapons related programs.

Another comment received relates to § 401.14(c)(1), which calls for disclosure by a contractor to the contracting government agency of each "subject invention . . ." within two months of the time it is disclosed by the inventor in writing. The commenter complains that two months is "too harsh." We do not accept this comment for two reasons. (1) The statute, Pub. L. 98–620, uses the words "reasonable time" and we think two months is reasonable; and (2) § 401.14(c)(4) allows extensions of time at the discretion of the agency.

One person asked for greater guidance on whether contractor funding of individual scientists at different universities is an educational award within 35 U.S.C. 212 and, if so, what rights such awardees should have. We have not acted on this comment since we do not believe any contractor has the authority to use funding for the educational awards covered by 35 U.S.C. 212.

A comment was submitted that relates to the discussion in the July 14, 1986 notice of § 401.13(b). The concern is that the discussion may be misinterpreted to imply that agencies may not apply the provisions of Pub. L. 98–620 retroactively. This point is well taken. It was our intent in the July 14, 1986 discussion of § 401.13(b) to note only that the Department of Commerce has no authority under the law to require agencies to waive the cap on the term of an exclusive license in a patent clause that predates enactment of Pub. L. 98–620. There is no question that the agencies themselves have authority under the law to waive such cap and the regulations in fact urge them to do so absent a substantive reason to do otherwise.

Another person requested that the Department of Commerce set a time for issuance of draft supplementary regulations relating to foreign filing deadlines at § 401.14(c)(3). As we previously indicated in the interim final rule notice on July 14, 1986, we are considering this matter. Therefore, we see no reason at this time to set a deadline.

Finally, pursuant to requests by two persons, we have included in this final notice, uniform policy guidance in § 401.1(a) to these final regulations similar to that included in OMB Circular A–124. This has been done to ensure clarity and continuity between OMB Circular A–124 and these final regulations with regard to policy.

Rulemaking Requirements

As stated in the proposed notice and the interim final rule, this regulation is not a major rule as defined in Executive Order 12291, and it adds no paperwork burdens. In fact, it reduces certain paperwork requirements of the regulations it replaces. And, as discussed in connection with the proposed rule and the interim final rule, the General Counsel of the Department of Commerce has certified to the Small Business Administration that this rule will not have a substantial economic impact on a substantial number of small entities.

List of Subjects in 37 CFR Ch. IV

Inventions, Patents, Nonprofit organizations, Small Business firms.

Two comments were received that relate to the exceptions to be made for handling of inventions if they are under research at a government-owned, contractor-operated facility (GOCO):

The first comment relates to the requirement in § 401.5(g) that specifies at the discretion of the agency.

One person asked for greater guidance on whether contractor funding of individual scientists at different universities is an educational award within 35 U.S.C. 212 and, if so, what rights such awardees should have. We have not acted on this comment since

Business Administration that this rule will not have a substantial economic impact on a substantial number of small entities.

List of Subjects in 37 CFR Ch. IV

Inventions, Patents, Nonprofit organizations, Small Business firms.

Date: March 11, 1987.

D. Bruce Merrifield,

Assistant Secretary for Productivity, Technology and Innovation.

Accordingly, Part 401 of Chapter IV of Title 37, the Code of Federal Regulations is revised to read as follows:

PART 401—RIGHTS TO INVENTIONS MADE BY NONPROFIT ORGANIZATIONS AND SMALL BUSINESS FIRMS UNDER GOVERNMENT GRANTS, CONTRACTS, AND COOPERATIVE AGREEMENTS

Sec.

401.1 Scope.
401.2 Definitions.
401.3 Use of the Standard Clauses at § 401.14.
401.4 Contractor appeals of exceptions.
401.5 Modification and tailoring of clauses.
401.6 Exercise of march-in rights.
401.7 Small business preference.
401.8 Reporting on utilization of subject inventions.
401.9 Retention of rights by contractor employee inventor.
401.10 Government assignment to contractor of rights in invention of government employee.
401.11 Appeals.
401.12 Licensing of background patent rights to third parties.
401.13 Administration of patent rights clauses.
401.14 Standard patent rights clauses.
401.15 Deferred determinations.
401.16 Submissions and inquiries.

Authority: 35 U.S.C. 206 and the delegation of authority by the Secretary of Commerce to the Assistant Secretary for Productivity, Technology and Innovation at Sec. 3(g) of DOO 10–1.

§ 401.1 Scope.

(a) Traditionally there have been no conditions imposed by the government on research performers while using private facilities which would preclude them from accepting research funding from other sources to expand, to aid in completing or to conduct separate investigations closely related to research activities sponsored by the government. Notwithstanding the right of research organizations to accept supplemental funding from other sources for the purpose of expediting or more comprehensively accomplishing the research objectives of the government sponsored project, it is clear that the ownership provisions of these regulations would remain applicable in any invention "conceived or first actually reduced to practice in performance" of the project. Separate accounting for the two funds used to support the project in this case is not a determining factor.

(1) To the extent that a non-government sponsor established a project which, although closely related, falls outside the planned and committed activities of a government-funded project and does not diminish or distract from the performance of such activities, inventions made in performance of the non-government sponsored project would not be subject to the conditions of these regulations. An example of such related but separate projects would be a government sponsored project having research objectives to expand scientific understanding in a field and a closely related industry sponsored project having as its objectives the application of such new knowledge to develop usable new technology. The time relationship in conducting the two projects and the use of new fundamental knowledge from one in the performance of the other are not important determinants since most inventions rest on a knowledge base built up by numerous independent research efforts extending over many years. Should such an invention be claimed by the performing organization to be the product of non-government sponsored research and be challenged by the sponsoring agency as being reportable to the government as a "subject invention", the challenge is appealable as described in § 401.11(d).

(2) An invention which is made outside of the research activities of a government-funded project is not viewed as a "subject invention" since it cannot be shown to have been "conceived or first actually reduced to practice" in performance of the project. An obvious example of this is a situation where an instrument purchased with government funds is later used, without interference with or cost to the government-funded project, in making an invention all expenses of which involve only non-government funds.

(b) This part inplements 35 U.S.C. 202 through 204 and is applicable to all Federal agencies. It applies to all funding agreements with small business firms and nonprofit organizations executed after the effective date of this part, except for a funding agreement made primarily for educational purposes. Certain sections also provide guidance for the administration of funding agreements which predate the effective date of this part. In accordance with 35 U.S.C. 212, no scholarship, fellowship, training grant, or other funding agreement made by a Federal agency primarily to an awardee for educational purposes will contain any provision giving the Federal agency any rights to inventions made by the awardee.

(c) The "march-in" and appeals procedures in §§ 401.6 and 401.11 shall apply to any march-in or appeal proceeding under a funding agreement subject to Chapter 18 of Title 35, U.S.C., initiated after the effective date of this part even if the funding agreement was executed prior to that date.

(d) At the request of the contractor, a funding agreement for the operation of a government-owned facility which is in effect on the effective date of this part shall be promptly amended to include the provisions required by §§ 401.3(a) unless the agency determines that one of the exceptions at 35 U.S.C. 202(a)(i) through (iv) § 401.3(a)(8) through (iv) of this part) is applicable and will be applied. If the exception at § 401.3(a)(iv) is determined to be applicable, the funding agreement will be promptly amended to include the provisions required by § 401.3(c).

(e) This regulation supersedes OMB Circular A–124 and shall take precedence over any regulations dealing with ownership of inventions made by small businesses and nonprofit organizations which are inconsistent with it. This regulation will be followed by all agencies pending amendment of agency regulations to conform to this part and amended Chapter 18 of Title 35. Only deviations requested by a contractor and not inconsistent with Chapter 18 of Title 35, United States Code, may be made without approval of the Secretary. Modifications or tailoring of clauses as authorized by § 401.5 or §401.3, when alternative provisions are used under § 401.3(a)(1) through (4), are not considered deviations requiring the Secretary's approval. Three copies of proposed and final agency regulations supplementing this part shall be submitted to the Secretary at the office set out in § 401.16 for approval for consistency with this part before they are submitted to the Office of Management and Budget (OMB) for review under Executive Order 12291 or, if no submission is required to be made to OMB, before their submission to the **Federal Register** for publication.

(f) In the event an agency has outstanding prime funding agreements that do not contain patent flow-down provisions consistent with this part or earlier Office of Federal Procurement Policy regulations (OMB Circular A–124 or OMB Bulletin 81–22), the agency shall take appropriate action to ensure that small business firms or nonprofit organizations that are subcontractors under any such agreements and that received their subcontracts after July 1, 1981, receive rights in their subject

any invention "conceived or first actually reduced to practice in performance" of the project. Separate accounting for the two funds used to support the project in this case is not a determining factor.

(1) To the extent that a non-government sponsor established a

with 35 U.S.C. 212, no scholarship, fellowship, training grant, or other funding agreement made by a Federal agency primarily to an awardee for educational purposes will contain any provision giving the Federal agency any rights to inventions made by the awardee.

Policy regulations (OMB Circular A–124 or OMB Bulletin 81–22), the agency shall take appropriate action to ensure that small business firms or nonprofit organizations that are subcontractors under any such agreements and that received their subcontracts after July 1, 1981, receive rights in their subject

inventions that are consistent with Chapter 18 and this part.

(g) This part is not intended to apply to arrangements under which nonprofit organizations, small business firms, or others are allowed to use government-owned research facilities and normal technical assistance provided to users of those facilities, whether on a reimbursable or nonreimbursable basis. This part is also not intended to apply to arrangements under which sponsors reimburse the government or facility contractor for the contractor employee's time in performing work for the sponsor. Such arrangements are not considered "funding agreements" as defined at 35 U.S.C. 201(b) and § 401.2(a) of this part.

§ 401.2 Definitions.

As used in this part—

(a) The term "funding agreement" means any contract, grant, or cooperative agreement entered into between any Federal agency, other than the Tennessee Valley Authority, and any contractor for the performance of experimental, developmental, or research work funded in whole or in part by the Federal government. This term also includes any assignment, substitution of parties, or subcontract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement as defined in the first sentence of this paragraph.

(b) The term "contractor" means any person, small business firm or nonprofit organization which is a party to a funding agreement.

(c) The term "invention" means any invention or discovery which is or may be patentable or otherwise protectable under Title 35 of the 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.*).

(d) The term "subject invention" means any invention of a contractor conceived or first actually reduced to practice in the performance of work under a funding agreement; provided that in the case of a variety of plant, the date of determination (as defined in section 41(d) of the Plant Variety Protection Act, 7 U.S.C. 2401(d)) must also occur during the period of contract performance.

(e) The term "practical application" means to manufacture in the case of a composition of product, to practice in the case of a process or method, or to operate in the case of a machine or system; and, in each case, under such conditions as to establish that the invention is being utilized and that its benefits are, to the extent permitted by law or government regulations, available to the public on reasonable terms.

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

(g) The term "small business firm" means a small business concern as defined at section 2 of Pub. L. 85–536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration. For the purpose of this part, the size standards for small business concerns involved in government procurement and subcontracting at 13 CFR 121.5 will be used.

(h) The term "nonprofit organization" means universities and other institutions of higher education or an organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1954 (26 U.S.C. 501(c) and exempt from taxation under section 501(a) of the Internal Revenue Code (26 U.S.C. 501(a)) or any nonprofit scientific or educational organization qualified under a state nonprofit organization statute.

(i) The term "Chapter 18" means Chapter 18 of Title 35 of the United States Code.

(j) The term "Secretary" means the Secretary of Commerce or his or her designee.

§ 401.3 Use of the Standard Clauses at § 401.14.

(a) Each funding agreement awarded to a small business firm or nonprofit organization (except those subject to 35 U.S.C. 212) shall contain the clause found in § 401.14(a) with such modifications and tailoring as authorized or required elsewhere in this part. However, a funding agreement may contain alternative provisions—

(1) When the contractor is not located in the United States or does not have a place of business located in the United States or is subject to the control of a foreign government; or

(2) In exceptional circumstances when it is determined by the agency that restriction or elimination of the right to retain title to any subject invention will better promote the policy and objectives of Chapter 18 of Title 35 of the United States Code; 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 to any subject invention is necessary to protect the security to such activities; or

(4) When the funding agreement includes the operation of the government-owned, contractor-operated facility of the Department of Energy primarily dedicated to that Department's naval nuclear propulsion or weapons related programs and all funding agreement limitations under this subparagraph on the contractor's right to elect title to a subject invention are limited to inventions occurring under the above two programs.

(b) When an agency exercises the exceptions at § 401.3(a)(2) or (3), it shall use the standard clause at § 401.14(a) with only such modifications as are necessary to address the exceptional circumstances or concerns which led to the use of the exception. For example, if the justification relates to a particular field of use or market, the clause might be modified along lines similar to those described in § 401.14(b). In any event, the clause should provide the contractor with an opportunity to receive greater rights in accordance with the procedures at § 401.15. When an agency justifies and exercises the exception at § 401.3(a)(2) and uses an alternative provision in the funding agreement on the basis of national security, the provision shall provide the contractor with the right to elect ownership to any invention made under such funding agreement as provided by the Standard Patent Rights Clause found at § 401.14(a) if the invention is not classified by the agency within six months of the date it is reported to the agency, or within the same time period the Department of Energy does not, as authorized by regulation, law or Executive Order or implementing regulations thereto, prohibit unauthorized dissemination of the invention. Contracts in support of DOE's naval nuclear propulsion program are exempted from this paragraph.

(c) When the Department of Energy exercises the exception at § 401.3(a)(4), it shall use the clause prescribed at § 401.14(b) or substitute thereto with such modification and tailoring as authorized or required elsewhere in this part.

(d) When a funding agreement involves a series of separate task orders, an agency may apply the exceptions at § 401.3(a)(2) or (3) to individual task orders, and it may structure the contract so that modified patent rights provisions will apply to the task order even though the clauses at either § 401.14(a) or (b) are applicable to the remainder of the work. Agencies are authorized to negotiate such modified provisions with respect to task orders added to a funding agreement after its initial award.

means to manufacture in the case of a composition of product, to practice in the case of a process or method, or to operate in the case of a machine or system; and, in each case, under such conditions as to establish that the invention is being utilized and that its benefits are, to the extent permitted by

(6) 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 to any subject invention is necessary to protect the security to such activities; or

so that modified patent rights provisions will apply to the task order even though the clauses at either § 401.14(a) or (b) are applicable to the remainder of the work. Agencies are authorized to negotiate such modified provisions with respect to task orders added to a funding agreement after its initial award.

(e) Before utilizing any of the exceptions in § 401.3(a) of this section, the agency shall prepare a written determination, including a statement of facts supporting the determination, that the conditions identified in the exception exist. A separate statement of facts shall be prepared for each exceptional circumstances determination, except that in appropriate cases a single determination may apply to both a funding agreement and any subcontracts issued under it or to any funding agreement to which such an exception is applicable. In cases when § 401.3(a)(2) is used, the determination shall also include an analysis justifying the determination. This analysis should address with specificity how the alternate provisions will better achieve the objectives set forth in 35 U.S.C. 200. A copy of each determination, statement of facts, and, if applicable, analysis shall be promptly provided to the contractor or prospective contractor along with a notification to the contractor or prospective contractor of its rights to appeal the determination of the exception under 35 U.S.C. 202(b)(4) and § 401.4 of this part.

(f) Except for determinations under § 401.3(a)(3), the agency shall also provide copies of each determination, statement of fact, and analysis to the Secretary. These shall be sent within 30 days after the award of the funding agreement to which they pertain. Copies shall also be sent to the Chief Counsel for Advocacy of the Small Business Administration if the funding agreement is with a small business firm. If the Secretary of Commerce believes that any individual determination or pattern of determinations is contrary to the policies and objectives of this chapter or otherwise not in conformance with this chapter, the Secretary shall so advise the head of the agency concerned and the Administrator of the Office of Federal Procurement Policy and recommend corrective actions.

(g) To assist the Comptroller General of the United States to accomplish his or her responsibilities under 35 U.S.C. 202, each Federal agency that enters into any funding agreements with nonprofit organizations or small business firms shall accumulate and, at the request of the Comptroller General, provide the Comptroller General or his or her duly authorized representative the total number of prime agreements entered into with small business firms or nonprofit organizations that contain the patent rights clause in this part or under OMB Circular A-124 for each fiscal year beginning with October 1, 1982.

(h) To qualify for the standard clause, a prospective contractor may be required by an agency to certify that it is either a small business firm or a nonprofit organization. If the agency has reason to question the status of the prospective contractor as a small business firm, it may file a protest in accordance with 13 CFR 121.9. If it questions nonprofit status, it may require the prospective contractor to furnish evidence to establish its status as a nonprofit organization.

§ 401.4 Contractor appeals of exceptions.

(a) In accordance with 35 U.S.C. 202(b)(4) a contractor has the right to an administrative review of a determination to use one of the exceptions at § 401.3(a) (1) through (4) if the contractor believes that a determination is either contrary to the policies and objectives of this chapter or constitutes an abuse of discretion by the agency. Paragraph (b) of this section specifies the procedures to be followed by contractors and agencies in such cases. The assertion of such a claim by the contractor shall not be used as a basis for withholding or delaying the award of a funding agreement or for suspending performance under an award. Pending final resolution of the claim the contract may be issued with the patent rights provision proposed by the agency; however, should the final decision be in favor of the contractor, the funding agreement will be amended accordingly and the amendment made retroactive to the effective date of the funding agreement.

(b)(1) A contractor may appeal a determination by providing written notice to the agency within 30 working days from the time it receives a copy of the agency's determination, or within such longer time as an agency may specify in its regulations. The contractor's notice should specifically identify the basis for the appeal.

(2) The appeal shall be decided by the head of the agency or by his/her designee who is at a level above the person who made the determination. If the notice raises a genuine dispute over the material facts, the head of the agency or the designee shall undertake, or refer the matter for, fact-finding.

(3) Fact-finding shall be conducted in accordance with procedures established by the agency. Such procedures shall be as informal as practicable and be consistent with principles of fundamental fairness. The procedures should afford the contractor the opportunity to appear with counsel, submit documentary evidence, present witnesses and confront such persons as the agency may rely upon. A transcribed record shall be made and shall be available at cost to the contractor upon request. The requirement for a transcribed record may be waived by mutual agreement of the contractor and the agency.

(4) The official conducting the fact-finding shall prepare or adopt written findings of fact and transmit them to the head of the agency or designee promptly after the conclusion of the fact-finding proceeding along with a recommended decision. A copy of the findings of fact and recommended decision shall be sent to the contractor by registered or certified mail.

(5) Fact-finding should be completed within 45 working days from the date the agency receives the contractor's written notice.

(6) When fact-finding has been conducted, the head of the agency or designee shall base his or her decision on the facts found, together with any argument submitted by the contractor, agency officials or any other information in the administrative record. In cases referred for fact-finding, the agency head or the designee may reject only those facts that have been found to be clearly erroneous, but must explicitly state the rejection and indicate the basis for the contrary finding. The agency head or the designee may hear oral arguments after fact-finding provided that the contractor or contractor's attorney or representative is present and given an opportunity to make arguments and rebuttal. The decision of the agency head or the designee shall be in writing and, if it is unfavorable to the contractor shall include an explanation of the basis of the decision. The decision of the agency or designee shall be made within 30 working days after fact-finding or, if there was no fact-finding, within 45 working days from the date the agency received the contractor's written notice. A contractor adversely affected by a determination under this section may, at any time within sixty days after the determination is issued, file a petition in the United States Claims Court, which shall have jurisdiction to determine the appeal on the record and to affirm, reverse, remand, or modify as appropriate, the determination of the Federal agency.

§ 401.5 Modification and tailoring of clauses.

(a) Agencies should complete the blank in paragraph (g)(2) of the clauses at § 401.14 in accordance with their own or applicable government-wide regulations such as the Federal Acquisition Regulation. In grants and cooperative agreements (and in

the Comptroller General, provide the Comptroller General or his or her duly authorized representative the total number of prime agreements entered into with small business firms or nonprofit organizations that contain the patent rights clause in this part or under OMB Circular A-124 for each fiscal year beginning with October 1, 1982.

by the agency. Such procedures shall be as informal as practicable and be consistent with principles of fundamental fairness. The procedures should afford the contractor the opportunity to appear with counsel, submit documentary evidence, present witnesses and confront such persons as the agency may rely upon. A transcribed

§ 401.5 Modification and tailoring of clauses.

(a) Agencies should complete the blank in paragraph (g)(2) of the clauses at § 401.14 in accordance with their own or applicable government-wide regulations such as the Federal Acquisition Regulation. In grants and cooperative agreements (and in

contracts, if not inconsistent with the Federal Acquisition Regulation) agencies wishing to apply the same clause to all subcontractors as is applied to the contractor may delete paragraph (g)(2) of the clause and delete the words "to be performed by a small business firm or domestic nonprofit organization" from paragraph (g)(1). Also, if the funding agreement is a grant or cooperative agreement, paragraph (g)(3) may be deleted. When either paragraph (g)(2) or paragraphs (g) (2) and (3) are deleted, the remaining paragraph or paragraphs should be renumbered appropriately.

(b) Agencies should complete paragraph (l), "Communications", at the end of the clauses at § 401.14 by designating a central point of contact for communications on matters relating to the clause. Additional instructions on communications may also be included in paragraph (l).

(c) Agencies may replace the italicized words and phrases in the clauses at § 401.14 with those appropriate to the particular funding agreement. For example, "contracts" could be replaced by "grant," "contractor" by "grantee," and "contracting officer" by "grants officer." Depending on its use, "Federal agency" can be replaced either by the identification of the agency or by the specification of the particular office or official within the agency.

(d) When the agency head or duly authorized designee determines at the time of contracting with a small business firm or nonprofit organization that it would be in the national interest to acquire the right to sublicense foreign governments or international organizations pursuant to any existing treaty or international agreement, a sentence may be added at the end of paragraph (b) of the clause at § 401.14 as follows:

This license will include the right of the government to sublicense foreign governments, their nationals, and international organizations, pursuant to the following treaties or international agreements:

_____.

The blank above should be completed with the names of applicable existing treaties or international agreements, agreements of cooperation, memoranda of understanding, or similar arrangements, including military agreements relating to weapons development and production. The above language is not intended to apply to treaties or other agreements that are in effect on the date of the award but which are not listed. Alternatively, agencies may use substantially similar language relating the government's rights to specific treaties or other agreements identified elsewhere in the funding agreement. The language may also be modified to make clear that the rights granted to the foreign government, and its nationals or an international organization may be for additional rights beyond a license or sublicense if so required by the applicable treaty or international agreement. For example, in some exclusive licenses or even the assignment of title in the foreign country involved might be required. Agencies may also modify the language above to provide for the direct licensing by the contractor of the foreign government or international organization.

(e) If the funding agreement involves performance over an extended period of time, such as the typical funding agreement for the operation of a government-owned facility, the following language may also be added:

The *agency* reserves the right to unilaterally amend this *funding agreement* to identify specific treaties or international agreements entered into or to be entered into by the government after the effective date of this *funding agreement* and effectuate those license or other rights which are necessary for the government to meet its obligations to foreign governments, their nationals and international organizations under such treaties or international agreements with respect to subject inventions made after the date of the amendment.

(f) Agencies may add additional subparagraphs to paragraph (f) of the clauses at § 401.14 to require the contractor to do one or more of the following:

(1) Provide a report prior to the close-out of a funding agreement listing all subject inventions or stating that there were none.

(2) Provide, upon request, the filing date, serial number and title; a copy of the patent application; and patent number and issue date for any subject invention in any country in which the contractor has applied for patents.

(3) Provide periodic (but no more frequently than annual) listings of all subject inventions which were disclosed to the agency during the period covered by the report.

(g) If the contract is with a nonprofit organization and is for the operation of a government-owned, contractor-operated facility, the following will be substituted for paragraph (k)(3) of the clause at § 401.14(a):

(3) After payment of patenting costs, licensing costs, payments to inventors, and other expenses incidental to the administration of subject inventions, the balance of any royalties or income earned and retained by the *contractor* during any fiscal year on subject inventions under this or any successor *contract* containing the same requirement, up to any amount equal to five percent of the budget of the facility for that fiscal year, shall be used by the contractor for scientific research, development, and education consistent with the research and development mission and objectives of the facility, including activities that increase the licensing potential of other inventions of the facility. If the balance exceeds five percent, 75 percent of the excess above five percent shall be paid by the contractor to the Treasury of the United States and the remaining 25 percent shall be used by the *contractor* only for the same purposes as described above. To the extent it provides the most effective technology transfer, the licensing of subject inventions shall be administered by *contractor* employees on location at the facility.

(h) If the contract is for the operation of a government-owned facility, agencies may add the following at the end of paragraph (f) of the clause at § 401.14(a):

(5) The contractor shall establish and maintain active and effective procedures to ensure that subject inventions are promptly identified and timely disclosed and shall submit a description of the procedures to the *contracting officer* so that the *contracting officer* may evaluate and determine their effectiveness.

§ 401.6 Exercise of march-in rights.

(a) The following procedures shall govern the exercise of the march-in rights of the agencies set forth in 35 U.S.C. 203 and paragraph (j) of the clause at § 401.14.

(b) Whenever an agency receives information that it believes might warrant the exercise of march-in rights, before initiating any march-in proceeding, it shall notify the contractor in writing of the information and request informal written or oral comments from the contractor as well as information relevant to the matter. In the absence of any comments from the contractor within 30 days, the agency may, at its discretion, proceed with the procedures below. If a comment is received within 30 days, or later if the agency has not initiated the procedures below, then the agency shall, within 60 days after it receives the comment, either initiate the procedures below or notify the contractor, in writing, that it will not pursue march-in rights on the basis of the available information.

(c) A march-in proceeding shall be initiated by the issuance of a written notice by the agency to the contractor and its assignee or exclusive licensee, as applicable and if known to the agency, stating that the agency is considering the exercise of march-in rights. The

of understanding, or similar arrangements, including military agreements relating to weapons development and production. The above language is not intended to apply to treaties or other agreements that are in effect on the date of the award but which are not listed. Alternatively, a government-owned, contractor-operated facility, the following will be substituted for paragraph (k)(3) of the clause at § 401.14(a):

(3) After payment of patenting costs, licensing costs, payments to inventors, and other expenses incidental to the administration of subject inventions, the balance of any royalties or income earned

pursue march-in rights on the basis of the available information.

(c) A march-in proceeding shall be initiated by the issuance of a written notice by the agency to the contractor and its assignee or exclusive licensee, as applicable and if known to the agency, stating that the agency is considering the exercise of march-in rights. The

requirements should be followed for funding agreements covered by and predating this Part 401.

(1) To the extent authorized by 35 U.S.C. 205, agencies shall not disclose to third parties pursuant to requests under the Freedom of Information Act (FOIA) any information disclosing a subject invention for a reasonable time in order for a patent application to be filed. With respect to subject inventions of contractors that are small business firms or nonprofit organizations, a reasonable time shall be the time during which an initial patent application may be filed under paragraph (c) of the standard clause found at § 401.14(a) or such other clause may be used in the funding agreement. However, an agency may disclose such subject inventions under the FOIA, at its discretion, after a contractor has elected not to retain title or after the time in which the contractor is required to make an election if the contractor has not made an election within that time. Similarly, an agency may honor a FOIA request at its discretion if it finds that the same information has previously been published by the inventor, contractor, or otherwise. If the agency plans to file itself when the contractor has not elected title, it may, of course, continue to avail itself of the authority of 35 U.S.C. 205.

(2) In accordance with 35 U.S.C. 205, agencies shall not disclose or release for a period of 18 months from the filing date of the application to third parties pursuant to requests under the Freedom of Information Act or otherwise copies of any document which the agency obtained under this clause which is part of an application for patent with the U.S. Patent and Trademark Office or any foreign patent office filed by the contractor (or its assignees, licensees, or employees) on a subject invention to which the contractor has elected to retain title. This prohibition does not extend to disclosure to other government agencies or contractors of government agencies under an obligation to maintain such information in confidence.

(3) A number of agencies have policies to encourage public dissemination of the results of work supported by the agency through publication in government or other publications of technical reports of contractors or others. In recognition of the fact that such publication, 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 standard clause found at § 401.14(a), except that under the same circumstances under which agencies are authorized to release such information pursuant to FOIA requests under paragraph (c)(1) of this section, agencies may publish such disclosures.

(4) Nothing in this paragraph is intended to preclude agencies from including in the publication activities described in the first sentence of paragraph (c)(3), the publication of materials describing a subject invention to the extent such materials were provided as part of a technical report or other submission of the contractor which were submitted independently of the requirements of the patent rights provisions of the contract. However, if a small business firm or nonprofit organization notifies the agency that a particular report or other submission contains a disclosure of a subject invention to which it has elected title or may elect title, the agency shall use reasonable efforts to restrict its publication of the material for six months from date of its receipt of the report or submission or, if earlier, until the contractor has filed an initial patent application. Agencies, of course, retain the discretion to delay publication for additional periods of time.

(5) Nothing in this paragraph is intended to limit the authority of agencies provided in 35 U.S.C. 205 in circumstances not specifically described in this paragraph.

§ 401.14 Standard patent rights clauses.

(a) The following is the standard patent rights clause to be used as specified in § 401.3(a).

Patent Rights (Small Business Firms and Nonprofit Organizations)

(a) Definitions

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

(2) "Subject invention" means any invention of the *contractor* conceived or first actually reduced to practice in the performance of work under this *contract*; provided that in the case of a variety of plant, the date of determination (as defined in section 41(d) of the Plant Variety Protection Act, 7 U.S.C. 2401(d)) must also occur during the period of *contract* performance.

(3) "Practical Application" means to manufacture in the case of a composition or product, to practice in the case of a process or method, or to operate in the case of a machine or system; and, in each case, under such conditions as to establish that the invention is being utilized and that its benefits are, to the extent permitted by law or government regulations, available to the public on reasonable terms.

(4) "Made" when used in relation to any invention means the conception or first actual reduction to practice of such invention.

(5) "Small Business Firm" means a small business concern as defined at section 2 of Pub. L. 85-536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration. For the purpose of this clause, the size standards for small business concerns involved in government procurement and subcontracting at 13 CFR 121.3-8 and 13 CFR 121.3-12, respectively, will be used.

(6) "Nonprofit Organization" means a university or other institution of higher education or an organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1954 (26 U.S.C. 501(c) and exempt from taxation under section 501(a) of the Internal Revenue Code (26 U.S.C. 501(a)) or any nonprofit scientific or educational organization qualified under a state nonprofit organization statute.

(b) Allocation of Principal Rights

The *Contractor* may retain the entire right, title, and interest throughout the world to each subject invention subject to the provisions of this clause and 35 U.S.C. 203. With respect to any subject invention in which the *Contractor* retains title, the Federal government shall have a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States the subject invention throughout the world.

(c) Invention disclosure, Election of Title and Filing of Patent Application by *Contractor*.

(1) The *contractor* will disclose each subject invention to the *Federal Agency* within two months after the inventor discloses it in writing to *contractor* personnel responsible for patent matters. The disclosure to the agency shall be in the form of a written report and shall identify the *contract* under which the invention was made and the inventor(s). It shall be sufficiently complete in technical detail to convey a clear understanding to the extent known at the time of the disclosure, of the nature, purpose, operation, and the physical, chemical, biological or electrical characteristics of the invention. The disclosure shall also identify any publication, on sale or public use of the invention and whether a manuscript describing the invention has been submitted for publication and, if so, whether it has been accepted for publication at the time of disclosure. In addition, after disclosure to the *agency*, the *Contractor* will promptly notify the *agency* of the acceptance of any manuscript describing the invention for publication or of any on sale or public use planned by the *contractor*.

(2) The *Contractor* will elect in writing whether or not to retain title to any such invention by notifying the *Federal agency* within two years of disclosure to the *Federal agency*. However, in any case where

publications of technical reports of contractors or others. In recognition of the fact that such publication, 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 the date of determination (as defined in section 41(d) of the Plant Variety Protection Act, 7 U.S.C. 2401(d)) must also occur during the period of *contract* performance.

(3) "Practical Application" means to manufacture in the case of a composition or product, to practice in the case of a process or method, or to operate in the case of a machine or system; and, in each case, under the *agency* of the acceptance of any manuscript describing the invention for publication or of any on sale or public use planned by the *contractor*.

(2) The *Contractor* will elect in writing whether or not to retain title to any such invention by notifying the *Federal agency* within two years of disclosure to the *Federal agency*. However, in any case where

own internal purposes. The prescription of forms should be avoided. However, any forms or standard questionnaires that are adopted by an agency for this purpose must comply with the requirements of the Paperwork Reduction Act. Copies shall be sent to the Secretary.

(b) In accordance with 35 U.S.C. 202(c)(5) and the terms of the clauses at § 401.14, agencies shall not disclose such information to persons outside the government. Contractors will continue to provide confidential markings to help prevent inadvertent release outside the agency.

§ 401.9 Retention of Rights by Contractor Employee Inventor.

Agencies which allow an employee/inventor of the contractor to retain rights to a subject invention made under a funding agreement with a small business firm or nonprofit organization contractor, as authorized by 35 U.S.C. 202(d), will impose upon the inventor at least those conditions that would apply to a small business firm contractor under paragraphs (d)(1) and (3); (f)(4); (h); (i); and (j) of the clause at § 401.14(a).

§ 401.10 Government Assignment to Contractor of Rights in Invention of Government Employee.

In any case when a Federal employee is a co-inventor of any invention made under a funding agreement with a small business firm or nonprofit organization and the Federal agency employing such co-inventor transfers or reassigns the right it has acquired in the subject invention from its employee to the contractor as authorized by 35 U.S.C. 202(e), the assignment will be made subject to the same conditions as apply to the contractor under the patent rights clause of its funding agreement. Agencies may add additional conditions as long as they are consistent with 35 U.S.C. 201–206.

§ 401.11 Appeals.

(a) As used in this section, the term "standard clause" means the clause at § 401.14 of this part and the clauses previously prescribed by either OMB Circular A–124 or OMB Bulletin 81–22.

(b) The agency official initially authorized to take any of the following actions shall provide the contractor with a written statement of the basis for his or her action at the time the action is taken, including any relevant facts that were relied upon in taking the action.

(1) A refusal to grant an extension under paragraph (c)(4) of the standard clauses.

(2) A request for a conveyance of title under paragraph (d) of the standard clauses.

(3) A refusal to grant a waiver under paragraph (i) of the standard clauses.

(4) A refusal to approve an assignment under paragraph (k)(1) of the standard clauses.

(5) A refusal to grant an extension of the exclusive license period under paragraph (k)(2) of the clauses prescribed by either OMB Circular A–124 or OMB Bulletin 81–22.

(c) Each agency shall establish and publish procedures under which any of the agency actions listed in paragraph (b) of this section may be appealed to the head of the agency or designee. Review at this level shall consider both the factual and legal basis for the actions and its consistency with the policy and objectives of 35 U.S.C. 200–206.

(d) Appeals procedures established under paragraph (c) of this section shall include administrative due process procedures and standards for fact-finding at least comparable to those set forth in § 401.6 (e) through (g) whenever there is a dispute as to the factual basis for an agency request for a conveyance of title under paragraph (d) of the standard clause, including any dispute as to whether or not an invention is a subject invention.

(e) To the extent that any of the actions described in paragraph (b) of this section are subject to appeal under the Contract Dispute Act, the procedures under the Act will satisfy the requirements of paragraphs (c) and (d) of this section.

§ 401.12 Licensing of Background Patent Rights to Third Parties.

(a) A funding agreement with a small business firm or a domestic nonprofit organization will not contain a provision allowing a Federal agency to require the licensing to third parties of inventions owned by the contractor that are not subject inventions unless such provision has been approved by the agency head and a written justification has been signed by the agency head. Any such provision will clearly state whether the licensing may be required in connection with the practice of a subject invention, a specifically identified work object, or both. The agency head may not delegate the authority to approve such provisions or to sign the justification required for such provisions.

(b) A Federal agency will not require the licensing of third parties under any such provision unless the agency head determines that the use of the invention by others is necessary for the practice of a subject invention or for the use of a work object of the funding agreement and that such action is necessary to achieve practical application of the subject invention or work object. Any such determination will be on the record after an opportunity for an agency hearing. The contractor shall be given prompt notification of the determination by certified or registered mail. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

§ 401.13 Administration of Patent Rights Clauses.

(a) In the event a subject invention is made under funding agreements of more than one agency, at the request of the contractor or on their own initiative the agencies shall designate one agency as responsible for administration of the rights of the government in the invention.

(b) Agencies shall promptly grant, unless there is a significant reason not to, a request by a nonprofit organization under paragraph (k)(2) of the clauses prescribed by either OMB Circular A–124 or OMB Bulletin 81–22 inasmuch as 35 U.S.C. 202(c)(7) has since been amended to eliminate the limitation on the duration of exclusive licenses. Similarly, unless there is a significant reason not to, agencies shall promptly approve an assignment by a nonprofit organization to an organization which has as one of its primary functions the management of inventions when a request for approval has been necessitated under paragraph (k)(1) of the clauses prescribed by either OMB Circular A–124 or OMB Bulletin 81–22 because the patent management organization is engaged in or holds a substantial interest in other organizations engaged in the manfacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention. As amended, 35 U.S.C. 202(c)(7) no longer contains this limitation. The policy of this subsection should also be followed in connection with similar approvals that may be required under Institutional Patent Agreements, other patent rights clauses, or waivers that predate Chapter 18 of Title 35, United States Code.

(c) The President's Patent Policy Memorandum of February 18, 1983, states that 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. The following

actions shall provide the contractor with a written statement of the basis for his or her action at the time the action is taken, including any relevant facts that were relied upon in taking the action.

(1) A refusal to grant an extension under paragraph (c)(4) of the standard clauses.

the authority to approve such provisions or to sign the justification required for such provisions.

(b) A Federal agency will not require the licensing of third parties under any such provision unless the agency head determines that the use of the invention by others is necessary for the practice of a subject invention or for the use of a

(c) The President's Patent Policy Memorandum of February 18, 1983, states that 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. The following