No. 135 February 5, 1980

DEMOCRATIC LEGISLATIVE BULLETIN

Democratic Policy Committee.
Robert C. Byrd, Chairman

S. 414, UNIVERSITY AND SMALL BUSINESS PATENT PROCEDURES ACT

CALENDAR NO.: 515

REPORTED: Favorably, December 12, 1979, by the Judiciary Committee **(S. Rept. 96-480)**

FLOOR ACTION: Tuesday, February 5, 1980, under a 2 hour time limitation, equally divided between Senators Bayh and Thurmond, with 1 hour on amendments in the first degree (except for a Stevenson-Schmitt amendment extending the provisions of the Act to large businesses as well as universities and small businesses, which has 2 hours), 30 minutes on amendments in the second degree, and 20 minutes on debatable motions, appeals, or points of order. No rollcall votes will occur on this bill before Wednesday, February 6. Nongermane amendments are not in order.

BACKGROUND AND COMMITTEE ACTION: Evidence from numerous studies indicate that the United States is falling behind its international competition in the development of new products and inventions; U.S. imports of foreign manufactured goods are now second only to imports of foreign oil; the number of U.S. patents granted to foreigners now amounts to 35 percent of all patents issued in this country; investment in research and development over the past ten years, in constant dollars, has failed to increase; American productivity is growing at a much slower rate than that of our world trade competitors; small businesses, which have compiled a very impressive record in technological innovation, are receiving a distressingly low percentage of Federal research and development money; and the number of patentable inventions made under Federally-supported research has steadily declined. Part of this is because, in relation to private industry or universities which can offer exclusive rights to aid in commercialization of their inventions, Federal agencies supporting basic research are ill prepared to carry their inventions into commercial production, and are unable, under current law and practice, to sufficiently protect private companies which might want to undertake commercialization of an invention developed in part through Federal funding. Since Federal research expenditures constitute approximately 50 percent of the national research budget, it is imperative that the procedures for bringing about the commercialization of inventions and discoveries achieved as a result of Federal funding be streamlined as much as possible. In response to this need, on February 9, 1979, S. 414 was referred to the Committee on the Judiciary, and hearings were held on May 16. On November 20, 1979, the Committee voted unanimously to report the bill favorably.

SUMMARY: States the objective of Congress to promote the marketing of inventions developed under Federally-supported R&D projects by nonprofit organizations and small business firms; permits any such organization or firm to elect, within a reasonable amount of time, to retain title to such inventions; permits Federal agencies which have supported such projects to retain title to inventions through their funding agreements in specified circumstances, including when necessary to conduct foreign intelligence or counterintelligence activities; requires review of agency determinations for such exceptions by the Comptroller General and the Chief Counsel for Advocacy of the Small Business Administration; directs the Comptroller General to report to Congress on the implementation of this Act by Federal agencies; enumerates provisions which must be included in funding agreements between Federal agencies and small business firms or nonprofit organizations including provisions to insure disclosure to the Federal Government of any inventions, to allow a contractor to elect within a reasonable time period to retain title to an invention, to provide that the agency shall have a nonexclusive, nontransferable, irrevocable and paid-up license to use the invention, to require reporting on the utilization of the invention, and to prohibit a nonprofit organization from assigning rights to the invention without the approval of the Federal agency; authorizes a Federal agency to transfer or assign its rights, acquired from an agency employee as coinventor, to an inventor electing to acquire title to an invention.

Empowers any Federal agency to require inventors or their assigns to grant licenses in order to: (1) achieve practical application of the invention in its field of uses; (2) alleviate health or safety needs; (3) meet requirements for public use specified by Federal regulations; or (4) achieve participation by United States industry in the manufacturing of an invention; entitles the government to 15 percent of all net income in excess of $70,000 gross income received by a contractor after a patent application

is filed on a subject invention; provides that if a contractor receives a gross income of $1 million the government shall be entitled to a negotiated share of the excess of $1 million not to exceed five percent of such excess; limits the government share of any such excesses to its contributions under the funding agreement; directs the Director of the Office of Federal Procurement Policy to revise the government entitlements in light of changes to the Consumer Price Index or other indices at least every three years; and declares that the government entitlements shall cease when: (1) the patent application is rejected, (2) the patent expires, or (3) the patent is found to be invalid;

Restricts the assignment and licensing of rights by patent holders to foreign-owned or controlled firms unless such persons agree that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States where commercially feasible; authorizes Federal agencies to withhold information on inventions from public disclosure; specifies the authority of Federal agencies with respect to obtaining patents, granting licenses, and transferring custody of patents; authorizes the Administrator of General Services to promulgate regulations specifying the terms upon which any Federally-owned inventions may be licensed; and sets forth the procedure whereby Federal agencies may grant exclusive or partially exclusive licenses in any invention covered by a Federally-owned domestic patent or patent application;

Prohibits licensing which lessens competition; directs that business firms be given preference in exclusive or partially exclusive licensing; and enumerates provisions which must be contained in any grant of a license by a Federal agency;

Declares that nothing in this Act shall be construed to require the disclosure of intelligence sources or methods or otherwise affect the authority of the Director of Central Intelligence;

Declares that this Act shall take precedence over any other Act in the disposition of inventions.

POSSIBLE AMENDMENTS:

1. Stevenson-Schmitt amendment extending the provisions of the Act to large businesses as well as universities and small businesses. (2 hour time limitation)