Howard Bremer
New draft of
University-Small B.
S. 11

A BILL

To establish a uniform Federal System to promote the utilization of the results of federally sponsored scientific and technological research and development performed at small business firms, universities, and nonprofit organizations and for other related purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "University and Small Business Research Utilization Act of 1978."

Section 2. The Congress hereby finds that--

(1) A substantial portion of Federally sponsored research and development is performed at the nation's universities, nonprofit organizations, and small business firms;

(2) Inventions in scientific and technological fields resulting from such work constitute a valuable national resource;

(3) The development of such inventions to the point of practical application normally requires substantial investment from the private sector; and

(4) It is in the public interest to establish a uniform federal policy concerning rights in federally supported inventions made at universities, nonprofit organizations, and small business firms that will promote the commercial use of such inventions, recognize the equities of such organizations, promote collaboration between the commercial and nonprofit sectors, ensure that small business firms can successfully compete for Federal research and development contracts, enable small business firms to make use of their inventions to grow and to compete with larger firms, and meet the needs of the Federal Government.

Section 3. (a) Except as provided in section 3(b), each contract with a university or nonprofit organization shall include a provision allowing the university or nonprofit organization, within a reasonable time, to elect to retain title to any subject invention. Such provision shall, however, prescribe procedures for the reporting of subject inventions and the filing of patent applications and shall include such terms and conditions as are determined to be necessary to protect the public interest, including terms to effectuate those items set forth in section 3(c).

(b) In lieu of a provision as described in section 3(a), other provisions may be used by the Federal agency--

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

(2) when the agency deems this necessary because of the classified nature of the work being performed, or

(3) in exceptional circumstances when the agency deems this to be in the public interest.

(c) The rights of universities or nonprofit organizations under section 3(a) shall be made subject to the following:

(1) The right of the Federal Government, upon request, to receive title to any invention not reported to the Federal agency within such times as are prescribed in the contract provision.

(2) The right of the Federal Government, upon request, to receive title to any inventions in the United States or other countries in which the contractor has not filed patent applications on a subject invention within such times as are prescribed in the contract provision.

(3) The right of the Federal Government, upon request, to receive title to any invention in which the contractor does not elect to retain rights.

(4) With respect to any invention in which the contractor elects rights, the Federal agency shall have a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for the Federal agency any subject invention throughout the world by or on behalf of the Federal Government (including any Federal agency), and may, if provided in the contract, have additional rights to sublicense any foreign government pursuant to foreign policy considerations or any existing or future treaty or agreement.

(5) The right of the Federal agency to require periodic reporting on the utilization or efforts at obtaining utilization that are being made by the contractor or his licensees or assignees; provided that any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged or confidential.

(6) A prohibition upon the assignment of rights to the invention in the United States without the approval of the Federal agency, except where such assignment is made to an organization which has as one of its primary functions the management of inventions and which is not, itself, engaged in the manufacture or sale of products or processes that might utilize the invention or be in competition with emboidments of the invention and provided that such assignment is made subject to the terms of the contract provision governing rights in inventions.

(7) A prohibition against the granting of exclusive licenses to United States rights in an invention for a period in excess of the earlier of five years from first commercial sale or use of the invention or eight years from the date of the exclusive license excepting that time before regulatory agencies necessary to obtain premarket clearance unless, on a case-by-case basis, the Federal agency approves a longer exclusive license. Commercial sale or use in one field of use shall not be deemed to end the exclusive period as to other fields of use.

(8) The right of the Federal agency to require the contractor to grant a nonexclusive, partially exclusive, or exclusive license to a responsible applicant or applicants in any field of use to an invention, upon terms reasonable under the circumstances or, if the contractor refuses, to grant such license itself if the agency determines such action is necessary because the contractor has not taken, or is not expected to take within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use.

(9) A requirement that the balance of any royalties or income earned to the contractor with respect to subject inventions, after payment of expenses (including any payments to inventors) incidental to the administration of subject inventions, be utilized for the support of education or scientific research.

(10) If the contractor receives $250,000 (or such larger amount as the Director of the Office of Federal Procurement Policy specifies) in net income from the licensing of any subject invention, the Government shall be entitled to a share, to be negotiated, of up to 50% of all net income from licensing received by the contractor above $250,000 (or the amount specified by the Director of the Office of Federal Procurement Policy); provided, however, that in no event shall the Government be entitled to an amount greater than that portion of the Government funding under the contract under which the subject invention was made which was expended on activities related to the making of the invention. The Director of the Office of Federal Procurement Policy is authorized and directed to revise the figure of $250,000 above at least every 3 years in light of changes in the consumer price index or other indices which he considers reasonable to use.

(d) The contract provision required under section 3(a) shall also provide that whenever the contractor subcontracts for experimental, developmental, or research work a provision shall be included in the subcontract and any such lower tier subcontracts which will prevent the vesting of title to sub-

contractor subject inventions in parties other than the Federal Government, or the university or nonprofit organization contractor, or a subcontractor that is a university or nonprofit organization except when specifically approved by the Federal agency after a subcontractor subject invention is identified. Federal agencies may, however, approve the use of different subcontract provisions on a case-by-case basis.

Section 4. (a) Except as provided in section 4(b), each contract with a small business firm shall include a provision allowing the contractor, within a reasonable time, to elect to retain title to any subject invention. Such provision shall, however, prescribe procedures for the reporting of subject inventions and the filing of patent applications and shall include such terms and conditions as are determined to be necessary to protect the public interest, including terms to effectuate those items set forth in section 4(c).

(b) In lieu of a provision as described in section 4(a), other provisions may be used by the Federal agency under the same circumstances as set forth in section 3(b) of this Act.

(c) The rights of a small business firm under section 4(a) shall be made subject to the same provisions as set forth in section 3(c)(1)-(5) and (8) and (10) of this Act. In addition, if the contractor receives net income in excess of $2,000,000 (or such larger amounts as the Director of the Office of Federal Procurement Policy specifies) on sales of products embodying a subject invention, the Government shall be entitled to a share, to be negotiated, of all additional income accruing from such sales up to the amount of the portion of the Government funding under the contract under which the subject invention was made which was expended on activities related to the making of the invention less any amounts received by the Government pursuant to the first sentence of this section 4(c). The Director of the Office of Federal Procurement Policy is authorized and directed to revise the figure of $2,000,000 above at least every 3 years in light of

changes to the consumer price index or other indices which he considers reasonable to use.

(d) The contract provision required under section 4(a) shall also provide that whenever a small business firm subcontracts for experimental, developmental, or research work a provision shall be included in the subcontract and any such lower tier subcontracts which will prevent the vesting of title to subcontractor subject inventions in parties other than the Federal Government, the small business firm contractor, or a small business firm subcontractor except when specifically approved by the Federal agency after a subcontractor invention is identified. Federal agencies may, however, approve the use of different subcontract patent provisions on a case-by-case basis.

Section 5. If a contractor or subcontractor does not elect to retain title to a subject invention in cases subject to this Act, Federal agencies may consider requests for retention of rights by any inventor in accordance with the terms of the contract or agency regulations.

Section 6. Any report of a subject invention under this Act may be treated by the Federal agency as a record exempt from disclosure pursuant to 5 USC 552(b)(4) unless (i) a United States patent application describing the invention has been filed (provided that copies of the actual patent application may be treated by the Federal agency as records exempt from disclosure pursuant to 5 USC 552(b)(4)), (ii) a description of the invention has been published elsewhere by the inventor, (iii) the contractor or a subcontractor has not elected to retain title and/or a contractor, subcontractor, or inventor has not requested the retention of title

or other commercial rights, or (iv) the contractor or subcontractor has not elected to retain title and/or the Federal agency has denied the request of the contractor, a subcontractor, or an inventor to retain title or other commercial rights.

Section 7. Nothing in this Act shall be deemed to preclude a Federal agency from obtaining rights in any background invention of a comtractor.

Section 8. As used in this Act--

(a) The term "Federal agency" means an "executive agency" as defined in 5 USC 105 and the military departments as defined by 5 USC 102.

(b) The term "contract" means any contract, grant, or cooperative agreement entered into between any Federal agency and any person for the performance of experimental, developmental, or research work funded in whole or in part by the Federal Government. Such term includes any assignment, substitution or parties, or subcontract of any type entered into for the performance of experimental, developmental, or research work under a contract.

(c) The term "contractor" means any person (as defined in section 1 of title 1, United States Code) that is a party to the contract.

(d) The term "invention" means any invention or discovery 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 or otherwise protectable under the laws of the United States.

(e) The term "subject invention" means any invention of the contractor conceived or first actually reduced to practice in the course of or under a contract.

(f) The term "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

or system, and, in each case, under such conditions as to establish that the invention is being worked and that its benefits are available to the public either on reasonable terms or through reasonable licensing arrangements.

(g) The term "person" means any individual, partnership, corporation, association, institution, or other entity.

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

(i) The term "small business firm" means a small business concern as defined at section 2 of Public Law 85-536 (15 USC 632) and implementing regulations of the Administrator of the Small Business Administration.

(j) The term "nonprofit organization" means an organization of the type described in section 501(a) of the Internal Revenue Code (26 USC 501(a)) as exempt from taxation.

Section 9. Nothing in this Act shall be deemed to convey to any person immunity from civil or criminal liability, or to create any defenses to actions, under any antitrust law.

Section 10. The Office of Science and Technology Policy and the Office of Federal Procurement Policy are authorized to jointly issue regulations which may be made applicable to all Federal agencies establishing standard contract provisions required under this Act.

Section 11. This Act shall take precedence over any other act which would require a disposition of rights in subject inventions in a manner that is inconsistent with this Act, including but not necessarily limited to the following:

(1) Section 10(a) of the Act of June 29, 1935, as added by title 1 of the Act of August 14, 1946 (7 USC 427i(a); 60 Stat. 1085);

(2) Section 205(a) of the Act of August 14, 1946 (7 USC 1624(a); 60 Stat. 1090);

(3) Section 501(c) of the Federal Coal Mine Health and Safety Act of 1969 (30 USC 951(c); 83 Stat. 742);

(4) Section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 USC 1395(c); 80 Stat. 721);

(5) Section 12 of the National Science Foundation Act of 1950 (42 USC 1871(a); 82 Stat. 360);

(6) Section 152 of the Atomic Energy Act of 1954 (42 USC 2182, 68 Stat. 943);

(7) Section 305 of the National Aeronautics and Space Act of 1958 (42 USC 2457);

(8) Section 6 of the Coal Research Development Act of 1960 (30 USC 666; 74 Stat. 337);

(9) Section 4 of the Helium Act Amendments of 1960 (50 USC 167b; 74 Stat. 920);

(10) Section 32 of the Arms Control and Disarmament Act of 1961 (22 USC 2572; 75 Stat. 634);

(11) Subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 USC App. 302(e); 79 Stat. 5);

(12) Subsection (a)(2) of section 216 of title 38, United States Code;

(13) Section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 USC 5901; 88 Stat. 1878);

(14) Section 3 of the Act of June 22, 1976 (42 USC 1959d, note; 90 Stat. 694);

(15) Subsection (d) of section 6 of The Saline Water Conversion Act of 1971 (42 USC 1959(d); 85 Stat. 161);

(16) Section 303 of the Water Resources Research Act of 1964 (42 USC 1961c-3; 78 Stat. 332);

(17) Section 5(d) of the Consumer Product Safety Act (15 USC 2054(d); 88 Stat. 1211);

(18) Section 3 of the Act of April 5, 1944 (30 USC 323; 58 Stat. 191); and

(19) Section 8001 of the Solid Waste Disposal Act (42 USC 6981; 90 Stat. 2829).

(b) This Act shall also be construed to take precedence over any future Act unless that Act specifically cites this Act and provides that it shall take precedence over this Act.

Section 12. This Act shall take effect 180 days after the date of enactment of this Act, except that the regulations referred to in section 10, or other implementing regulations, may be issued prior to that time.