NEWS RELEASE

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FOR RELEASE ON RECEIPT

KASTENMEIER SUBCOMMITTEE APPROVES PATENT LEGISLATION TO PROTECT JOBS

WASHINGTON, D. C. -- Congressman Bob Kastenmeier (D-Sun Prairie), Chairman of the House Judiciary Subcommittee on the Administration of Justice, reported that his Subcommittee today (September 20) approved legislation which would protect American jobs by closing certain loopholes in the patent law which encourage the manufacture in whole or in part of patented inventions outside the United States.

"Currently, loopholes in the patent law threaten American jobs in two ways," Kastenmeier noted. "First, it is possible for competitors of a patent owner to duplicate the patented process outside the United States and then market the resulting product in this country. Such action not only infringes on the patent, it also has a negative impact on the labor market insofar as products that would normally be produced in the U.S. are produced abroad and then imported into this country.

"Secondly," the Congressman continued, "existing law permits copiers of patented products to avoid U.S. patents by supplying components of a patented product in this country and completing the assembly of the components abroad. This, too, shortchanges the American worker who would normally be assembling the product here at home."

The bill would close these loopholes by permitting a patent owner to recover damages from an alleged infringer of a patent who markets a product in this country which is a result of a patent process practiced outside the U.S. It would also make liable for ~~copyright~~ patent infringement those who supply or cause to be supplied "all or a substantial portion" of the components of a patented product in a manner that could infringe the patent if such a combination occured in the United States.

The bill, the Patent Law Amendments of 1984, is a combination of several bills introduced earlier this year by Kastenmeier, whose subcommittee has jurisdiction over patent law.

The measure also contains a provision which would be beneficial to universities, small business, and individuals who often cannot afford costly fees required to obtain full patents on inventions.

It would create a new section in the law establishing a procedure which would enable an inventor to secure patent protection which would prevent others from patenting the same invention, but would not permit the holder to exclude others from making, using or selling the invention. Such a procedure, in addtion to avoiding the costs and time normally required in the lengthy examination process required for the granting of a patent, would allow the government and the private sector to make inventions public knowledge, while permitting those with limited resources a new, less expensive alternative to the traditional patenting of inventions.

Kastenmeier predicted that the full Judiciary Committee would consider the bill soon and noted that, since the Senate Judiciary Committee was processing similar legislation, prospects for action before adjournment of this Congress were good.

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AMENDMENT NO. ___ Calendar No. ___

Purpose: To provide procedures regarding patent licenses and inventions owned by the Government.

IN THE SENATE OF THE UNITED STATES--98th Cong., 2d Sess.

S. 2171

To amend title 35 of the United States Code for the purpose of creating a uniform policy and procedure concerning patent rights in inventions developed with Federal assistance, and for other purposes.

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

Amendment In the Nature of a Substitute intended to be proposed by Mr. Mathias

Viz:

Strike out all after the enacting clause and insert in lieu thereof the following:

That chapter 18 of title 35, United States Code, is amended--

(1) by adding ''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.)'' immediately after ''title'' in section 201 (d);

(2) by adding '': 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'' immediately after ''agreement'' in section 201 (e);

(3) in section 202 (a), by striking out ''or'' before ''(ii)'' and inserting before the period at the end of the first sentence the following: ''or (iv) when the contractor is not located in the United States or does not have a place of business located in the United States''; and

(4) by amending paragraphs (1) and (2) of section 202 (b) to read as follows:

''(b) (1) The rights of the Government under subsection

(a) shall not be exercised by a Federal agency unless it first determines that at least one of the conditions identified in clauses (i) through (iii) of subsection (a) exists. Except in the case of subsection (a) (iii), the agency shall file with the Secretary of Commerce, within thirty days after the award of the applicable funding agreement, a copy of such determination. In the case of a determination under subsection (a) (ii), the statement shall include an analysis justifying the determination. In the case of determinations applicable to funding agreements with small business firms, copies shall also be sent to the Chief Counsel for Advocacy of the Small Business Administration. 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.

''(2) Whenever the Administrator of the Office of Federal Procurement Policy has determined that one or more Federal agencies are utilizing the authority of clause (i) or (ii) of subsection (a) of this section in a manner that is contrary to the policies and objectives of this chapter, the Administrator is authorized to issue regulations describing classes of situations in which agencies may not exercise the authorities of those clauses.'';

(5) by amending paragraphs (1), (2), (3), and (4) of section 202 (c) to read as follows:

''(1) That the contractor disclose each subject invention to the Federal agency within a reasonable time after it becomes known to contractor personnel responsible for the administration of patent matters, and that the Federal Government may receive title to any

subject invention not disclosed to it within such time.

''(2) That the contractor make a written election within two years after disclosure to the Federal agency (or such additional time as may be approved by the Federal agency) whether the contractor will retain title to a subject invention: Provided, That in any case where publication, on sale, or public use, has initiated the one year statutory period in which valid patent protection can still be obtained in the United States, the period for election may be shortened by the Federal agency to a date that is not more than sixty days prior to the end of the statutory period: And provided further, That the Federal Government may receive title to any subject invention in which the contractor does not elect to retain rights or fails to elect rights within such times.

''(3) That a contractor electing rights in a subject invention agrees to file a patent application prior to any statutory bar date that may occur under this title due to publication, on sale, or public use, and shall thereafter file corresponding patent applications in other countries in which it wishes to retain title within reasonable times, and that the Federal Government may receive title to any subject inventions in the United States or other countries in which the contractor has not filed patent applications on the subject invention within such times.

''(4) With respect to any invention in which the contractor elects rights, the Federal agency shall have a nonexclusive, nontransferrable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world: Provided, That the funding agreement may provide for such additional rights, including the right to assign

or have assigned foreign patent rights in the subject invention, as are determined by the agency as necessary for meeting the obligations of the United States under any treaty, international agreement, arrangement of cooperation, memorandum of understanding, or similar arrangement, including military agreements relating to weapons development and production.''.

(6) by striking out "may" in section ~~202(c)(5)~~ 202(c)(5) and inserting in lieu thereof ~~such~~ "as well as any information on utilization or efforts at obtaining utilization obtained as part of a proceeding under section ~~203~~ 203 of this chapter shall";

~~(6) by adding the following new subsection at the end of section 202:~~

''(g) A Federal agency may at any time waive all or any part of the rights of the United States under subsection (c)(4) of this section to any subject inventions made under a funding agreement or class of funding agreements if (1) such agency is authorized to make such a waiver with respect to a contractor other than a small business firm or nonprofit organization, and (2) the agency determines (A) that the interests of the United States and the general public will be best served thereby; or (B) the funding agreement involves cosponsored, cost sharing or joint venture research or the venturer is required to make or has made a substantial contribution of funds, facilities, or equipment ~~to the work performed~~ under the funding agreement. The agency shall maintain a record of determinations made under this subsection. Such record shall be available to the public and shall be periodically updated. In making such determinations under this paragraph, the agency shall consider at least the following objectives:

''(i) encouraging the wide availability to the public of the benefits of the experimental, developmental, or research program in the shortest practicable time;

''(ii) promoting the commercial utilization of such inventions; and

''(iii) encouraging participation by private persons,

Government-sponsored experimental, developmental, or research programs.'';

(7) by striking out ''and which is not, itself, engaged in or does not hold a substantial interest in other organizations engaged in the manufacture or sales of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention'' in clause (A) of section 202 (c) (7);

(8) by striking out the words "five" and "eight" from clause (B) of section 202(c)(7) and inserting in lieu thereof the words "ten" and "thirteen" respectively;

(9) by striking out everything after the semicolon in section 202 (c)(7) after the semicolon at the end of clause (C) of that section and inserting in lieu thefeof "(D) except with respect to a funding agreement for the operation of a Government-owned-contractor-operated facility, a requirement that the balance of any royalties or income earned by the contractor with respect to subject inventions, after payment of expenses (including payments to inventors) incidental to the administration of subject inventinns, be utilized for the support of scientific research; and (E) with respect to a funding agreement for the operation of a Government-owned-contractor-operated facility, (i) requirements that after payment of patenting costs, licensing costs, payments to inventors, and other expenses incidental to the administration of subject inventions, 100 percent of the balance of any royalties or incomed earned and retained by the contractor during any fiscal year, up to an amount equal to five percent of the annual budget of the facility, shall be used by the contractor for scientific research, development, and education consistent with the researarch and development mission and objectives of the facility, including activiies that increase the licensing potention of other inventions of the facility; provided that if said balance exceeds five percent of the annual budget of the facility in any one fiscal year, than 75 per cent of such excess shall be payed to the Treasury of the United States and the remaining 25 percent shall be used for the same purposes as described above in this clause (E); and (ii) that, as to the extent it provides the most effective technoloygy transfer, the licensing of subject inventions shall be administered by contractor employees on location at the facility.

(10) by adding at the end of section 203 the following:

''A determination pursuant to this section shall not be considered a contract dispute and shall not be subject to the Contract Disputes Act (41 U.S.C. 601 et seq.). Any contractor, assignee, or exclusive licensee 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 manner de novo and to affirm, reverse, or modify as appropriate, the determination of the Federal agency.'';

(11) by amending section 206 to read as follows:

''§ 206. Uniform clauses and regulations

''The Secretary of Commerce may issue regulations which may be made applicable to Federal agencies implementing the provisions of sections 202 through 204 of this chapter and shall establish standard funding agreement provisions required under this chapter. The regulations and the standard funding agreement shall be subject to public comment before their issuance.'';

(12) in section 207 by inserting ''(a)'' before ''Each Federal'' and by adding the following new subsection at the end thereof:

''(b) For the purpose of assuring the effective management of Government-owned inventions, the Secretary is

authorized to--

''(1) assist Federal agency effects to promote the licensing and utilization of Government-owned inventions;

''(2) assist Federal agencies in seeking protection and maintaining inventions in foreign countries, including the payment of fees and costs connected therewith; and

''(3) consult with and advise Federal agencies as to areas of science and technology research and development with potential for commercial utilization.''; and

(3) in section 208 by striking out ''Administrator of General Services'' and inserting in lieu thereof ''Secretary of Commerce''.

Sec. 2. (a) Part II of title 35 of the United States Code is amended by adding at the end thereof the following:

''Chapter 19--Licensing and Assignment of Laboratory Inventions

''Sec.
''212. Cooperative research and development programs.
''213. Duties of the Secretary.
''214. Definitions.

''§ 212. Cooperative research and development programs

''(a) The head of each Federal agency is authorized to permit the directors of laboratories which are operated by employees of such agency and which have adequate administrative capabilities, to commit such laboratories to cooperative research and development arrangements on matters of mutual interest which are consistent with the laboratory mission, with other Federal laboratories, units of State or local government, industrial organizations, universities, or other organizations or individuals including licensees of laboratory inventions or general partners of research and development limited partnerships.

''(b) In the course of any arrangement entered into pursuant to subsection (a), the director of the laboratory may--

''(1) accept funds, services, and property from collaborating entities; and

''(2) grant patent licenses or assign future or existing ownership rights in any laboratory invention in which the Government has a right, or future right of ownership, Retaining such rights as the Federal agency deems appropriate

''(c) In the course of any arrangement entered into pursuant to subsection (a), the laboratory shall--

inconsistent with rts in Director

''(1) require royalties from an invention licensed or assigned under any arrangement made under subsection (b), and shall dispose of royalties received as follows:

''(A) pay at least fifteen percent of the royalties received each year by the laboratory on account of a laboratory invention to the laboratory inventor of such invention;

''(B) of all royalties remaining after the payment pursuant to subsection (a), use such royalties to fund any mission-related research and development of the laboratory, support employee development and education, reward employees for inventions of value to the Government that will not produce royalties, or further scientific exchange, and

''(C) deposit all other royalties in the United States Treasury; and

"(2) allow a laboratory inventor to own--subject to reservation by the Government of a non-exclusive, non-transferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States throughout the world--patent, and develop a laboratory invention which the Government has the right to own but for which the Government has determined not to seek a patent under this title for itself, and

''(3) report annually to the appropriate oversight and appropriations committees of the Senate and the House of Representatives detailing the amount of royalties received and the expenditure of such royalties.

"§ 213. Duties of the Secretary

"(a) The Secretary of Commerce, in consultation with other Federal agencies and after opportunity for public comment, shall issue, monitor, and amend, as necessary, guidelines for voluntary use by the Federal agencies for --

"(1) techniques and procedures to use to aid in the early determination of the commercial potential of new technologies generated in performance of Federal laboratory research;

"(2) training courses to be developed and administered by the Secretary to --

"(A) increase the awareness of laboratory researchers regarding potential inventions; and

"(B) communicate the essentials for options for commercialization which are available to the Federal laboratories;

"(3) provisions for the disposition of inventions pursuant to clause (b)(2) of section 212, including the protection of the Government's interests, as necessary.

"(b) The head of each Federal agency, upon consultation with the Secretary, may adopt, supplement or revise the guidelines issued pursuant to clauses (a)(1) and (3) of this section consistent with the mission of the Federal agency concerned.

"(c) The Secretary shall, upon request, furnish advice and assistance to laboratory directors pursuant to section 212.

"(d) The Secretary shall submit an annual report to the President and Congress on the activities and accomplishments of the cooperative research and development program, including technologies being developed through cooperative research and development arrangements made under the authority of section 212, and recommendations for legislative changes if deemed desirable. The first such reports shall be submitted one year after the date of enactment of this

chapter.

''§ 214. Definitions

''As used in this chapter the term--

''(1) 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined in section 102 of such title;

''(2) 'laboratory' means a facility owned, leased, or used by a Federal agency, a substantial purpose of which is the performance of research and development by Government employees;

''(3) 'laboratory invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title, and is reportable to the Federal Agency for determination of ownership;

''(4) 'laboratory inventor' means a Government employee of the laboratory who has made a laboratory invention;

''(5) 'cooperative research and development arrangement' means any agreement between a Federal laboratory and one or more non-Federal parties under which all parties agree to--

''(A) apply resources to conduct specified research and development, or

''(B) license or assign laboratory inventions for commercial use; and

''(6) 'Secretary' means the Secretary of Commerce.''.

(b) The table of chapters for part II of title 35, United States Code, is amended by adding at the end thereof the following:

''19. Patents and Licenses Owned by the Government...212''.

Sec. 3. (a) The Director of the Office of Personnel Management shall, in coordination with the Secretary of Commerce and the heads of Federal agencies with Government

operated laboratories, promulgate such regulations, consistent with the provisions of chapter 11 of title 18, United States Code, and Executive Order Numbered 11222, as are needed to permit Federal employees to accept royalty payments and participate in further commercial efforts regarding their inventions.

(b) Federal employees who accept such royalty payments or participate in efforts to commercialize their inventions pursuant to such regulations shall not, because of such acceptance or participation--

(1) be deemed to be in violation of chapter 11 of title 18 of the United States Code, or

(2) be deemed to have accepted awards under--

(A) sections 4501 through 4506 of title 5 of the United States Code,

(B) section 1124 of title 10 of the United States Code, or

(C) implementing regulations under these sections.

(c) For the purposes of this section ''Federal employees'' shall include a ''special Government employee'' as defined in section 202 of title 18, United States Code.

Sec. 4. All agencies of the Federal Government are authorized and directed to assist the Secretary of Commerce, the Director of the Office of Personnel Management, and the directors of Federal laboratories in exercising their responsibilities under sections 2 and 3 and the amendments made by such sections.