II

97TH CONGRESS
1ST SESSION

S. 1657

Entitled the "Uniform Science and Technology Research and Development Utilization Act".

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 23 (legislative day, SEPTEMBER 9), 1981

Mr. SCHMITT (for himself, Mr. CANNON, Mr. GORTON, Mrs. KASSEBAUM, Mr. LUGAR, and Mr. SYMMS) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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A BILL

Entitled the "Uniform Science and Technology Research and Development Utilization Act".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—POLICY

FINDINGS

SEC. 101. The Congress, recognizing the profound impact of science, engineering, and technology policy on the economic, social, political, and technological well-being, and the health and safety of the Nation as a whole, hereby finds and declares that:

(1) The United States has recently experienced a decline in the process of industrial innovation and productivity which is integrally related to, and adversely impacts upon, domestic productivity, the rate of economic growth, the level of employment, the balance of trade, and the attainment of other national goals.

(2) The national support of scientific and technological research and development is indispensable to sustained growth and economic stability, and it is in the national interest to maximize the benefits to the general public from such investment.

(3) Scientific and technological developments and discoveries resulting from work performed with Government contracts constitute a valuable national resource which should be developed in a manner consistent with the public interest and the equities of the respective parties.

(4) Current Federal policy with respect to the allocation of rights to the results of federally sponsored research and development deters contractor participation in Government contracts, delays technological progress, and stifles the innovative process.

(5) There is a need for the establishment and implementation of a flexible Government-wide policy for the management and utilization of the results of feder-

ally funded research and development. This policy should promote the progress of science and the useful arts, encourage the efficient commercial utilization of technological developments and discoveries, guarantee the protection of the public interest, and recognize the equities of the contracting parties.

PURPOSE

SEC. 102. It is the purpose of this Act to—

(1) establish and maintain a uniform Federal policy for the management and use of the results of federally sponsored science and technology research and development; and

(2) insure the effective uniform implementation of the provisions of this Act, and to monitor on a continuing basis the impact of Federal science and technology policies on innovation and technology development.

DEFINITIONS

SEC. 103. As used in this Act the term—

(1) "contract" means any contract, grant, cooperative agreement, commitment, understanding, or other arrangement entered into between any Federal agency and any person where a purpose of the contract is the conduct of experimental, developmental, or research work. Such term includes any assignment, substitution of parties or subcontract of any type entered into or

executed for the conduct of experimental, developmental, or research work in connection with the performance of that contract;

(2) "contractor" means any person or other entity that is a party to the contract;

(3) "disclosure" means a written statement sufficiently complete as to 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, or electrical characteristics of the invention;

(4) "Federal agency" means an "executive agency" as defined by section 105 of title 4, United States Code, and the military departments as defined by section 102 of title 4, United States Code;

(5) "Government" means the Government of the United States of America;

(6) "invention" means any invention, discovery, innovation, or improvement which is or may reasonably be patentable subject matter as defined in title 35, United States Code;

(7) "inventor" means any person, other than a contractor, who has made an invention under a contract but who has not agreed to assign his rights in such invention to the contractor;

(8) "made under the contract" or "made under a contract" when used in relation to any invention means the conception or first actual reduction to practice of such invention in the course of any work under the contract or under a contract, respectively;

(9) "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 of 1954 (26 U.S.C. 501(a)) or any nonprofit scientific or educational organization qualified under a State nonprofit organization statute;

(10) "person" means any individual, partnership, corporation, association, institution, or other entity;

(11) "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 worked and that its benefits are available to the public either on reasonable terms or through reasonable licensing arrangements;

(12) "Secretary" means the Secretary of Commerce; and

(13) "small business firm" means a small business concern, as defined in section 2 of Public Law 85–536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration. For the purpose of this Act, size standards for small business concerns involved in Government procurement, contained in section 121.3–8 of title 13, Code of Federal Regulations, and in subcontracting, contained in section 121.3–12 of title 13, Code of Federal Regulations, will be used.

TITLE II—IMPLEMENTATION

RESPONSIBILITIES

SEC. 201. (a) The Secretary shall coordinate, direct, and review the implementation and administration of the Federal policy set forth in this Act with respect to the ownership of inventions resulting from federally sponsored research and development, and promote the efficient and effective utilization of the results of federally sponsored research and development.

(b) With a view to obtaining consistent application of the policies of this Act, the Secretary is authorized and directed—

(1) to consult and advise with Federal agencies concerning the effective implementation and operation of the policies, purposes, and objectives of this Act;

(2) in consultation with the Office of Federal Procurement Policy, to formulate and recommend to the President such proposed rules, regulations, and procedures as are necessary and desirable to assure the consistent application of the provisions of this Act;

(3) to accumulate, analyze, and disseminate data necessary to evaluate the administration and effectiveness of the policies set forth in this Act;

(4) to determine with administrative finality, in an expeditious manner without unnecessary delay, any dispute between a Federal agency and an aggrieved party arising under title III of this Act; and

(5) to perform such other duties as may be prescribed by the President or by statute.

(c) For the purpose of assuring the effective management of Government-owned inventions, the Secretary is authorized to—

(1) assist and coordinate agency efforts to promote the licensing and utilization of Government-owned inventions;

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

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

(4) receive funds from fees, royalties, sales, or other management of Government-owned inventions authorized under this Act: *Provided, however,* That such funds will be used only for the purpose of this Act.

(d) The Secretary shall submit to Congress an annual report of activities pursuant to this Act. Such report shall include (1) relevant statistical data regarding the disposition of invention disclosures resulting from federally funded research and development, including those inventions disclosed by small businesses and nonprofit organizations; (2) any legislative or administrative recommendations to better achieve the policy and purposes of this Act; and (3) an analysis of the impact of Federal policies on the purposes of this Act.

EXPIRATION

SEC. 202. The authorities conferred upon the Secretary under this title shall expire seven years following the effective date of this Act, unless renewed by action of Congress.

TITLE III—ALLOCATIONS OF RIGHTS—GOVERNMENT CONTRACTORS

RIGHTS OF THE GOVERNMENT

SEC. 301. (a) Each Federal agency shall acquire on behalf of the United States, at the time of entering into a contract, title to any invention made under the contract of a Federal agency if the agency determines that—

(1) the services of the contractor are for the operation of Federal research and development centers, including Government-owned research or production facilities;

(2) following a finding by a Government authority which is authorized by statute or Executive order to conduct foreign intelligence or counterintelligence activities, the restriction or elimination of the right of the contractor to retain title to any subject invention is necessary to protect the security of such activities;

(3) in exceptional circumstances, restriction or elimination of the right of the contractor to retain title to any subject invention will better promote the policy and objectives of this Act; and

(4) the principal purpose of the contract is to develop or improve products, processes, or methods which will be required for use by Government regulations: *Provided, however,* That the Federal agency may

subsequently waive all or any part of the rights of the United States under this section to such invention in conformity with the provisions of section 303.

(b) The rights of the Government under subsection (a) shall not be exercised by the Federal agency unless it first determines that at least one of the conditions, identified in paragraphs (1) through (4) exist and it files with the Secretary a statement stating such determination.

(c) Each contract entered into by a Federal agency shall include appropriate provisions to—

(1) require periodic written reports at reasonable intervals in the commercial use of other forms of utilization or efforts at obtaining commercial utilization made by the inventor or contractor or their licensees or assignees: *Provided,* That any such report shall be treated by the Federal agency as commercial or financial information obtained from a person and privileged or confidential and not subject to disclosure under the Freedom of Information Act (5 U.S.C. 552); and

(2) reserve to the United States at least an irrevocable, nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the United States and States and domestic municipal governments, unless the agency determines that it would not be in the public interest to

acquire the license for the States and domestic municipal governments.

RIGHTS OF THE CONTRACTOR

SEC. 302. (a) Whenever a contractor enters into a contract with a Federal agency other than in those circumstances identified in section 301(a), the contractor or inventor shall have the option of retaining title to any invention made under the contract. Such rights shall be subject to the limitations set forth in section 304 and the provisions of section 305. Such option shall be exercised by notifying the Government at the time of disclosure of the invention or within such time thereafter as may be provided in the contract. The Government shall obtain title to any invention for which this option is not exercised.

(b) When the Government obtains title to an invention under section 301, the contractor shall retain a nonexclusive, royalty-free license which shall be revocable only to the extent necessary for the Government to grant an exclusive license.

WAIVER

SEC. 303. A Federal agency may at any time waive all or any part of the rights of the United States under this title to any invention or class of inventions made or which may be made by any person or class of persons under the contract of the agency if the agency determines that the condition justi-

fying acquisition of title by the Government under section 301 no longer exists or the interests of the United States and the general public will be best served thereby. The agency shall maintain a record, which shall be made public and periodically updated, of determinations made under this section. In making such determinations, the agency shall consider the following objectives:

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

(2) promoting the commercial utilization of such inventions;

(3) encouraging participation by private persons in the Government-sponsored experimental, developmental, or research programs; and

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

MARCH-IN-RIGHTS

SEC. 304. (a) Where a contractor has elected to retain title to an invention under section 302 or 303, the Federal agency shall have the right, pursuant to regulations and subject to the provisions of subsection (b), to grant, or require the contractor to grant, a nonexclusive, partially exclusive, or exclusive license to a responsible applicant or applicants,

upon terms reasonable under the circumstances, if the agency determines such action is necessary—

(1) because the contractor has not taken, or is not expected to take within a reasonable time, effective steps to achieve practical application of the invention;

(2) to alleviate serious health or safety needs which are not reasonably satisfied by the contractor, or its licensees;

(3) to meet requirements for public use specified by Federal regulation which are not reasonably satisfied by the contractor or its licensees; or

(4) because the actions of the contractor beyond the exercise of the exclusive rights in the invention have tended substantially to lessen competition or to result in undue market concentration in any section of the United States in any line of commerce to which the technology relates, or to create and maintain other situations inconsistent with the antitrust laws.

(b) The rights of the Federal agency under subsection (a) shall be subject to the prior approval of the Secretary, who shall make a determination after a formal hearing with affected parties present and conducted in accordance with rules, regulations, and procedures adopted by the Secretary.

GENERAL PROVISIONS

SEC. 305. (a) Each contract entered into by a Federal agency shall employ a single patent rights clause containing such terms and conditions as the agency deems appropriate for the protection of the interests of the United States and the general public, including appropriate provisions to—

(1) require the timely disclosure by the contractor or inventor to that agency of any invention made under the contract: *Provided,* That Federal agencies are authorized to withhold from disclosure to the public, information disclosing any invention made under the contract of an agency for a reasonable time in order for a United States or foreign patent application to be filed;

(2) require an election by the contractor within a reasonable time after disclosure as to whether the contractor intends to file a patent application on any invention made under the contract;

(3) require a declaration by the contractor within a reasonable time after disclosure of the contractor's intent to commercialize or otherwise achieve the widespread utilization of the invention by the public;

(4) an obligation on the part of the contractor, in the event a United States patent application is filed by or on its behalf or by any assignee of the contractor, to include within the specification of such application and

any patent issuing thereon, a statement specifying that the invention was made with Government support and that the Government has certain rights in the invention; and

(5) allow deviation to the minimum rights acquired under section 301 on a class basis in—

(A) contracts involving cosponsored, cost sharing or joint venture research when the contractor is required to make a substantial contribution of funds, facilities, or equipment to the work performed under the contract;

(B) special contracting situations such as Federal price or purchase supports and Federal loan or loan guarantees; and

(C) no deviation under this subsection shall waive in whole or in part, the minimum rights to be secured for the Federal Government set forth in section 304(a)(4).

(b) When it is determined that the right to require licensing or the right of the Federal agency to license should be exercised pursuant to section 304, the Federal agency may specify terms and conditions, including royalties to be charged, if any, and the duration and field of use of the license, if appropriate. Agency determinations as to the rights

to inventions under this title shall be made in an expeditious manner without unnecessary delay.

BACKGROUND RIGHTS

SEC. 306. Nothing contained in this Act shall be construed to deprive the owner of any background patent or to such rights as the owner may have thereunder.

GOVERNMENT LICENSING AUTHORITY

SEC. 307. A Federal agency may grant exclusive or partially exclusive licenses in any invention to which the Government has acquired title if the agency determines that—

(1) the desired practical application has not been achieved, or is not likely to be achieved within a reasonable period of time by the granting of a nonexclusive license;

(2) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital to bring the invention to practical application; and

(3) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application.

TITLE IV—MISCELLANEOUS

REPEAL OF EXISTING STATUTORY RESEARCH AND DEVELOPMENT AUTHORIZATIONS

SEC. 401. The following Acts are hereby amended as follows:

(1) Section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090), is amended by striking out the last sentence thereof.

(2) Section 501(c) of the Federal Coal Mine Health and Safety Act of 1969 (30 U.S.C. 951(c); 83 Stat. 742) is amended by striking out the last sentence thereof.

(3) Section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c); 80 Stat. 721) is repealed.

(4) Section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360) is repealed.

(5) Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943) is repealed.

(6) The National Aeronautics and Space Act of 1958 (42 U.S.C. 2451 et seq.; 72 Stat. 426) is amended—

(A) by repealing section 305 thereof (42 U.S.C. 2457): *Provided, however,* That subsections (c), (d), and (e) of such section shall continue to be effective with respect to any application for patents in which the written statement referred to in subsection (c) of such

section has been filed or requested to be filed by the Commissioner of Patents and Trademarks prior to the effective date of this Act;

(B) by inserting the following new section 305:

"INVENTIONS AND CONTRIBUTIONS BOARD

"SEC. 305. Each proposal for any waiver of patent rights held by the Administrator shall be referred to an Inventions and Contributions Board which shall be established by the Administrator within the Administration. Such Board shall accord to each interested party an opportunity for a hearing, and shall transmit to the Administrator its findings of fact with respect to such proposal and its recommendations for action to be taken with respect thereto.";

(C) by repealing section 306 thereof (42 U.S.C. 2458);

(D) by inserting at the end of section 203(c) thereof (42 U.S.C. 2473(c)) the following new paragraph:

"(14) to provide effective contractual provisions for reporting of the results of the activities of the Administration, including full and complete technical reporting of any innovation made in the course of or under any contract of the Administration.";

(E) by inserting at the end of section 203 thereof (42 U.S.C. 2478) the following new subsection:

"(d) For the purpose of chapter 17 of title 35 of the United States Code, the Administration shall be considered a defense agency of the United States."; and

(F) by striking out the following in section 203(c)(3) thereof (42 U.S.C. 2473(c)(3)) "(including patents and rights thereunder).".

(7) Section 6 of the Act of July 7, 1960 (30 U.S.C. 666; 74 Stat. 337), is repealed.

(8) Section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920) is amended by striking out both proviso clauses at the end thereof.

(9) Section 32 of the Arms Control and Disarmament Act (22 U.S.C. 2572; 75 Stat. 634) is repealed.

(10) Subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5) is repealed.

(11) Section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908; 88 Stat. 1887) is amended by striking all after "hours" the second time it appears therein, and inserting in lieu thereof a period.

(12) Section 5(i) of the Tennessee Valley Authority Act of 1933 (16 U.S.C. 831d(i); 48 Stat. 61) is amended by striking both proviso clauses at the end thereof.

(13) Section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 88 Stat. 1211) is repealed.

(14) Section 3 of the Act of April 5, 1944 (30 U.S.C. 323; 58 Stat. 191), is repealed.

(15) Section 8001 of the Solid Waste Disposal Act (42 U.S.C. 6981; 90 Stat. 2892) is repealed.

(16) Sections 200 through 209 and section 211 of title 35, United States Code, are repealed.

(17) Section 6e (1) and (2) of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3705(e) (1) and (2); 94 Stat. 2313) is repealed.

EFFECTIVE DATE

SEC. 402. This Act shall take effect 6 months after the date of enactment of this Act.

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