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INTENT SERVICE, INC.

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LEGISLATIVE HISTORY REPORT AND ANALYSIS

Re: **Public Law 96-517**
House of Representatives Bill No. 6933 of 1980
As signed on December 12, 1980
As codified in 94 United States Statutes 3015

Our File no.: 0928124

The legislative history of the 1980 addition of sections 200 through 211 to Title 35 of the United States Code is documented by materials itemized in one declaration. The materials accompanying Exhibit B are itemized in this same declaration. The materials are organized as follows:

Exhibit A – House of Representatives Bill No. 6933 (Kastenmeier – 1980), Public Law 96-517
Exhibit B – Unsuccessful Predecessor, Senate Bill No. 414 (Bayh-1980)

To comprehend quickly the presentation and order of the documents and obtain important information on our research policies and procedures and request for judicial notice, please visit our web site at www.legintent.com and click on the links, "Points and Authorities" and "Research Aids and Policies."

As you have provided us with sections of focus, in our research of the public law noted we have refrained from gathering a complete collection of the documentation available, such as copies of all bills introduced, reports, transcripts of hearings, and debate from the Congressional Record regarding every aspect of the public law. To do so would be to provide an excessive quantity of documents which, while relevant to the public law itself, may contain no reference to the sections of your particular focus. Instead, we provide for this public law the CIS/Annual Legislative History and Abstracts or a comparable source of the enactment's history, which shows the various reports, hearings, debate available. (See Exhibit A, #2) In our research process, we review the legislative history and determine which materials are relevant to your sections. We review all versions of the relevant bills, reports and debates and extract for you that which is pertinent. We generally do not review hearings, as they are normally very lengthy; instead we endeavor to provide abstracts.

We will provide complete copies of any documents or, at your direction after your review of the materials we provide, will obtain further documentation as needed. Occasionally this additional research may necessitate further research charges; we will discuss this with you at the time of your call requesting additional information if this is the case. We normally charge reproduction expenses, such as pdf or copying and delivery, for any further documentation sent.

PUBLIC LAW 96-517
HOUSE OF REPRESENTATIVES BILL NO. 6933 OF 1980
AS SIGNED ON DECEMBER 12, 1980
AS CODIFIED IN 94 UNITED STATES STATUTES 3015

Sections 200 through 211 were added to Title 35 of the United States Code in 1980 following legislative approval of House of Representatives Bill No. 6933 [hereinafter referred to as "H.R. 6933"], which enacted new laws related to "Patent Rights in Inventions Made With Federal Assistance." (See Exhibit A, #1, pages 3019, et seq.) This bill was introduced on March 26, 1980 by Representative Robert W. Kastenmeier of Wisconsin. (See Exhibit A, #3a and #12)

H.R. 6933 was reviewed and amended by the House Committees on Judiciary and on Government Operations. (See Exhibit A, #3a through #3c; and #4, page 287) The bill was then referred to the Senate Committee on Judiciary, which proposed amendments for the bill. (See Exhibit A, #3d and #4, page 287) After the House agreed to the Senate amendments, the bill was enrolled and presented to the President for his signature. (See Exhibit A, #4, page 287) President Jimmy Carter signed this bill on December 12, 1980, enacting Public Law 96-517. (See Exhibit A, #1 and #9, page 2803)

In his Presidential Remarks, President Carter described H.R. 6933 as "a bill which makes several major reforms in the patent and trademark system." (See Exhibit A, #9, page 2803) He noted further that "the present package of reforms goes far toward strengthening the effectiveness of the patent incentive in stimulating innovation in the United States." (Id.)

Background on this measure was provided in House Report No. 1307, Part 1, which stated, in small part:

> The crisis in U.S. productivity and the governmental role in it has not gone unnoticed, however. In May of 1978 the President called for a major policy review of industrial innovation as the key to increased productivity in the United States. This White House call to action resulted in the creation of an advisory Committee of more than 150 senior representatives from the industrial, public interest, labor, scientific, and academic communities. The work of the Advisory Committee was overseen by a cabinet level coordinating committee chaired by the Secretary of Commerce. The Committee studied all the areas in which federal government policy impacts on productivity and innovation in the private sector. These fields of inquiry included: economic and trade policy;

> environmental, healthy and safety regulations; anti-trust enforcement; federal procurement policies, and federal patent and information policies.
> (See Exhibit A, #7, page 6461)

This same House Report noted a 300-page report issued by the advisory committee referred to by the President. (See Exhibit A, #7, page 2 at page 6461) Please let us know if you would like us to locate a copy of this report.

Additional background discussion can be found in the enclosed Congressional Quarterly's *Almanac* and *Weekly*. (See Exhibit A, #10 through #11b)

Your research focus is on sections 200, et seq., of Title 35 of the United States Code, which were added by section 6 of H.R. 6933. (See Exhibit A, #1, page 3019)

We were able to locate four versions of H.R. 6933 and include them herewith. (See Exhibit A, #3a, et seq.) It does not appear, however, that the language of current sections 200, et seq. was contained in any of these versions. (Id.) Rather, we found in the Congressional Record for November 20, 1980, an amendment in the nature of a substitute, which added the proposed "University and Small Business Patents Procedures Act" and set forth the current language of sections 200, et seq. at section 6 of H.R. 6933. (See Exhibit A, #6c., pages 30360 through 30364)

Prior to this amendment, section 6 proposed to add Chapter 38, sections 381, et seq., entitled "The Government Patent Policy Act of 1980." (See Exhibit A, #3a through #3d) A full understanding of legislative intent may be dependent upon knowing about the various proposals as introduced into the bill and then as amended throughout the bill's consideration by the House and the Senate Committees reviewing this measure. (See Exhibit A, #3a, et seq.) This can be particularly helpful where your focus is on specific language; by contrasting that enacted with the prior proposals in the bill one can gain insight as to the intended meaning or the apparent controversy generated by the language of interest. (Id.)

The Congressional Record offered the following discussion regarding section 6 of H.R. 6933 by Representative Don Fuqua of Florida:

> Section 6 would permit the grant of exclusive rights to federally funded inventions to contractors who meet the bill's requirements. Studies cited at Science and Technology Committee hearings on Federal patent policy have strongly indicated that merely making an invention available for development without the grant of some form of exclusive rights does not generally lead to commercial utilization. Substantial additional costs are normally necessary to further develop and market an invention. These costs are often 10 to 100 times the initial R. & D. costs. In order to provide an incentive for contractors to commercialize Government-funded inventions, I believe that the grant of exclusive rights to inventions is necessary.

> I am aware of the criticism that granting contractors exclusive rights to Government-funded inventions enriches contractors at the expense of the taxpayer. However, I believe that, without the grant of exclusive rights, virtually no economic benefits which would flow from commercialization will be realized.
> (See Exhibit A, #6b, page 29898)

The materials referenced a related failed bill, Senate Bill No. 414 [hereinafter referred to as "S. 414"], that proposed to add similar language. (See, for example, Exhibit A, #6c, page 30364) Understanding the legislative intent of any legislative measure necessarily includes knowledge about various other measures competing with or preceding the bill ultimately enacted, particularly where the focus is on specific language. As you compare that enacted with the unsuccessful proposals in the failed bills, you may be able to discern useful insight as to the intended meaning. Thus, we enclose the legislative history materials related to S. 414. (See generally, Exhibit B)

The author of S. 414, Senator Birch Bayh, discussed the purpose of the language that was originally in his bill and later inserted into H.R. 6933 by the amendment on November 20, 1980:

> The amendment that I am offering represents in essence the patent policy incorporated in S. 414, which was overwhelmingly passed by the Senate after being unanimously reported out of the Senate Judiciary Committee.
>
> This new policy will make federally supported research and development more productive by allowing the private sector to develop many inventions now left gathering dust on the shelves of Government agencies. This patent policy revision will give small businesses and universities conducting research and development for the Government the incentive to develop and market the inventions that they make while fully protecting the rights of the Government and the public. This concept has received wide support from both sides of the aisle because of the overwhelming evidence of the present inefficiencies in the present patent policies. The full legislative history of this provision is found in the Senate Judiciary Committee report on S. 414 (96-480) which fully spells out the intent o f the Congress and specifies how this patent policy is to be implemented.
> (See Exhibit A, #6c, page 30364)

We include a copy of the Senate Report identified above by Senator Bayh. (See Exhibit B, #4) In this Senate Report, you will find a more extensive background discussion, as well as a helpful section-by-section analysis. (Id. at pages 31, et seq.)

The Congressional Record for S. 414 reported that Senator Bayh provided the following background concerning the circumstances driving S. 414:

> Mr. President, S. 414 addresses a serious and growing problem: Hundreds of valuable medical, energy, and other technological discoveries are sitting unused under Government control, because the Government, which sponsored the research that led to the discoveries, lacks the resources necessary for development and marketing purposes, yet is unwilling to relinquish patent rights that would encourage and stimulate private industry to develop discoveries into products available to the public.
> . . .
> The problem is substantial in HEW, the Department of Defense, the Department of Agriculture, and the National Science Foundation. But nowhere is the patent situation more disturbing than in the biomedical research programs. Many people have been condemned to needless suffering because of the refusal of agencies to allow universities and small business sufficient rights to bring new drugs and medical instrumentation to the marketplace.
> The bill that we are considering today strikes a careful balance, it seems to me, between the rights of the Federal Government to use for itself and the public good inventions arising out of research that the Federal Government helps to support, and the equally important rights of the inventor and the public to see that the inventions receive their full potential in the marketplace and reach the people they may benefit. . . .
> (See Exhibit B, #3a, page 1796, second column)

As indicated earlier in this Report, we will provide complete copies of any documents at your direction after a review of the materials we provide, especially from the CIS/Annual. (See Exhibit A, #2) We normally charge reproduction expenses, such as pdf or copying and delivery, for any further documentation sent. If this additional research is lengthy, it may necessitate further research charges; we will discuss this with you at the time of your call requesting more information to be gathered if this is the case.

Any analysis provided in this report is based upon the nature and extent of your request to us, as well as a brief review of the enclosed documents. As such, it must be considered tentative in nature. A more conclusive statement of the impact of the legislative history in your case would be dependent upon a complete understanding of all of the factual issues involved and the applicable legal principles.

We appreciate the opportunity to provide this assistance and hope that these efforts will be of value to you.

Prepared by: DIANNE SCHAUMBURG, Attorney at Law/eg; File no.: 0928124
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DECLARATION OF DIANNE SCHAUMBURG

I, Dianne Schaumburg, declare:

I am an attorney licensed to practice in California, State Bar No. 260704, and am employed by Legislative Intent Service, Inc., a company specializing in researching the history and intent of legislation.

Under my direction and the direction of other attorneys on staff, the research staff of Legislative Intent Service, Inc. undertook to locate and obtain all documents relevant to the amendment of Title35, United States Code sections 200 through 210 by United States House of Representatives Bill No. 6933 of 1980 [hereinafter referred to as "H.R. 6933"]. H.R. 6933 was enacted by Congress as Public Law 96-517 on December 12, 1980, codified at 94 United States Statutes 3015.

The following list identifies all documents obtained by the staff of Legislative Intent Service, Inc. on H.R. 6933 of 1980 as it relates to Title 35, United States Code sections 200 through 210. All listed documents have been forwarded with this Declaration except as otherwise noted in this Declaration. All documents gathered by Legislative Intent Service, Inc. and all copies forwarded with this Declaration are true and correct copies of the originals located by Legislative Intent Service, Inc.

EXHIBIT A: PUBLIC LAW NO. 96-517, H.R. 6933 (KASTENMEIER-1980):

1. Public Law No. 96-517, United States Statutes 3015;
2. Excerpt regarding Public Law No. 96-517 from the 1980 CIS/Annual, Legislative Abstracts;
3. All versions of H.R. 6933 (Kastenmeier-1980)
4. Excerpt regarding Public Law 96-517 from the Digest of Public General Bills and Resolutions, prepared by Congressional Research Service, for the 96th Congress, Second Session;
5. Excerpt of the Legislative History of H.R. 6933 from the Congressional Record *Index*, of the 96th Congress, Second Session, Vol. 126 through Part 26, January 3, 1980 to December 16, 1980;

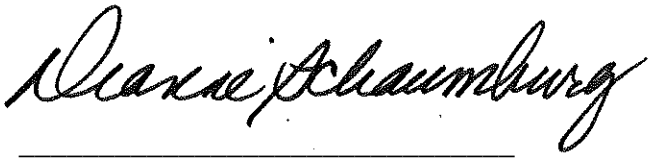
6. Excerpts regarding H.R. 6933 from the Congressional Record of *Proceedings and Debates* of the 96th Congress, Second Session, as follows:
    a. House Debate, August 19, 1980, Vol. 126, Part 17;
    b. House Debate, November 17, 1980, Vol. 126, Part 22;
    c. Senate Debate, November 20, 1980, Vol. 126, Part 23;
7. House Report No. 96-1307, Part 1, entitled "Patent and Trademark Laws" to accompany H.R. 6933, September 9, 1980, by the House Judiciary Committee;
8. House Report No. 96-1307, Part 2, entitled "Patent and Trademark Laws" to accompany H.R. 6933, September 23, 1980, by the House Government Operations Committee;
9. Excerpt regarding H.R. 6933 from the Weekly Compilation of Presidential Documents, by President Jimmy Carter, on December 12, 1980, Vol. 16, No. 50;
10. Excerpt regarding H.R. 6933 from the Congressional Quarterly *Almanac*, 96th Congress, Second Session, 1980, Vol. XXXVI;
11. Excerpts regarding H.R. 6933 from the Congressional Quarterly *Weekly*, 96th Congress, as follows:
    a. "Bill to Give Patent Office Independent Agency Status Passed by House Judiciary," Vol. 38, No. 35, page 2599;
    b. "Patent Bill Clears; Lets Inventors Have Patent Even If Work Federally Funded," Vol. 38, No. 48, page 3443;
12. Excerpt regarding Representative Robert W. Kastenmeier from the Biographical Directory of the United States Congress, available online at: ttp://bioguide.congress.gov/.

EXHIBIT B: UNSUCCESSFUL PREDECESSOR BILL, SENATE BILL NO. 414 (BAYH-1980), RELATED TO H.R. 6933:

1. All available versions of Senate Bill No. 414 ["S. 414"] (Bayh-1980);
2. Excerpts of the Legislative History of S. 414 from the Congressional Record *Index*, of the 96th Congress, as follows:
    a. First Session, Vol. 125, Part 29, January 15, 1979 to January 3, 1980;
    b. Second Session, Vol. 126, Part 26, January 3, 1980 to December 16, 1980;

3. Excerpts regarding S. 414 from the Congressional Record of *Proceedings and Debates* of the 96th Congress, Second Session, as follows:
   a. Senate Debate, February 5, 1980, Vol. 126, Part 2;
   b. Senate Debate, February 6, 1980, Vol. 126, Part 2;
   c. Senate Debate, April 23, 1980, Vol. 126, Part 7;
4. Senate Report No. 96-480, entitled "University and Small Business Patent Procedures Act," to accompany S. 414, dated December 12, 1979, prepared by the Senate Judiciary Committee;
5. Excerpt regarding Senator Birch Bayh from the Biographical Directory of the United States Congress, available online at: http://bioguide.congress.gov/.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 10th day of June, 2009 at Woodland, California.



DIANNE SCHAUMBURG

Public Law 96-517
96th Congress

An Act

To amend the patent and trademark laws.

Dec. 12, 1980
[H.R. 6933]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 29 the following new chapter 30:

Patent and trademark laws, amendment.

"CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

"Sec.
"301. Citation of prior art.
"302. Request for reexamination.
"303. Determination of issue by Commissioner.
"304. Reexamination order by Commissioner.
"305. Conduct of reexamination proceedings.
"306. Appeal.
"307. Certificate of patentability, unpatentability, and claim cancellation.

"§ 301. Citation of prior art

35 USC 301.

"Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

"§ 302. Request for reexamination

35 USC 302.

"Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

Fee.

Post, p. 3017.

"§ 303. Determination of issue by Commissioner

35 USC 303.

"(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Commissioner may determine whether a substantial new question of patentability is

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raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

Record.

"(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

"(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

Refund.

35 USC 304.

"§ 304. Reexamination order by Commissioner

"If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

Filing period.

35 USC 305.

"§ 305. Conduct of reexamination proceedings

"After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

35 USC 132, 133.

35 USC 306.

"§ 306. Appeal

"The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

35 USC 134.
35 USC 141–145.

35 USC 307.

"§ 307. Certificate of patentability, unpatentability, and claim cancellation

"(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated,

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the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

"(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.". 35 USC 252.

SEC. 2. Section 41 of title 35, United States Code, is amended to read as follows:

"§ 41. Patent fees 35 USC 41.

"(a) The Commissioner of Patents will establish fees for the processing of an application for a patent, from filing through disposition by issuance or abandonment, for maintaining a patent in force, and for providing all other services and materials related to patents. No fee will be established for maintaining a design patent in force.

"(b) By the first day of the first fiscal year beginning on or after one calendar year after enactment of this Act, fees for the actual processing of an application for a patent, other than for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 25 per centum of the estimated average cost to the Office of such processing. By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for the processing of an application for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 50 per centum of the estimated average cost to the Office of such processing.

"(c) By the fifteenth fiscal year following the date of enactment of this Act, fees for maintaining patents in force will recover 25 per centum of the estimated cost to the Office, for the year in which such maintenance fees are received, of the actual processing all applications for patents, other than for design patents, from filing through disposition by issuance or abandonment. Fees for maintaining a patent in force will be due three years and six months, seven years and six months, and eleven years and six months after the grant of the patent. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such six-month grace period the late payment of an applicable maintenance fee.

"(d) By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for all other services or materials related to patents will recover the estimated average cost to the Office of performing the service or furnishing the material. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $50. 35 USC 13.

"(e) The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Waiver.

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Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.

35 USC 132.

"(f) Fees will be adjusted by the Commissioner to achieve the levels of recovery specified in this section; however, no patent application processing fee or fee for maintaining a patent in force will be adjusted more than once every three years.

"(g) No fee established by the Commissioner under this section will take effect prior to sixty days following notice in the Federal Register.".

Notice.

SEC. 3. Section 42 of title 35, United States Code, is amended to read as follows:

35 USC 42.

"§ 42. Patent and Trademark Office funding

"(a) All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.

"(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States, the provisions of section 725e of title 31, United States Code, notwithstanding.

"(c) Revenues from fees will be available to the Commissioner of Patents to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office.

"(d) The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.".

Refund.

SEC. 4. Section 154 of title 35, United States Code, is amended by deleting the word "issue".

SEC. 5. Section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113), is amended to read as follows:

"§ 31. Fees

"(a) The Commissioner of Patents will establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. Fees will be set and adjusted by the Commissioner to recover in aggregate 50 per centum of the estimated average cost to the Office of such processing. Fees for all other services or materials related to trademarks and other marks will recover the estimated average cost to the Office of performing the service or furnishing the material. However, no fee for the filing or processing of an application for the registration of a trademark or other mark or for the renewal or assignment of a trademark or other mark will be adjusted more than once every three years. No fee established under this section will take effect prior to sixty days following notice in the Federal Register.

Notice.

"(b) The Commissioner may waive the payment of any fee for any service or material related to trademarks or other marks in connection with an occasional request made by a department or agency of the Government, or any officer thereof. The Indian Arts and Crafts Board will not be charged any fee to register Government trademarks of genuineness and quality for Indian products or for products of particular Indian tribes and groups.".

Waiver.

Indian products, exception.

SEC. 6. (a) Title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 37 the following new chapter 38:

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"CHAPTER 38—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

"Sec.
"200. Policy and objective.
"201. Definitions.
"202. Disposition of rights.
"203. March-in rights.
"204. Preference for United States industry.
"205. Confidentiality.
"206. Uniform clauses and regulations.
"207. Domestic and foreign protection of federally owned inventions.
"208. Regulations governing Federal licensing.
"209. Restrictions on licensing of federally owned inventions.
"210. Precedence of chapter.
"211. Relationship to antitrust laws.

"§ 200. Policy and objective

35 USC 200.

"It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"§ 201. Definitions

35 USC 201.

"As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

"(b) 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. Such term 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 herein defined.

"(c) The term 'contractor' means any person, small business firm, or nonprofit organization that is a party to a funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(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 method, or to operate in the case of a machine or system; and, in each case, under such conditions as to establish

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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.

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

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

"(i) 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.

35 USC 202.

"§ 202. Disposition of rights

"(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however,* That a funding agreement may provide otherwise (i) when the funding agreement is for the operation of a Government-owned research or production facility, (ii) 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 this chapter or (iii) when it is determined by a Government authority which is authorized by statute or Executive order to conduct foreign intelligence or counter-intelligence activities that the restriction or elimination of the right to retain title to any subject invention is necessary to protect the security of such activities. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

Funding agreement.

"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the Comptroller General of the United States within thirty days after the award of the applicable funding agreement. 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.

Written determination.

Copy to Comptroller General.

Copy to SBA.

"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's policies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred and twenty days of what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.

Contrary agency determinations.

"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on the Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

Report to congressional committees.

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"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following: Funding agreement requirements.

"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and 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 time.

"(3) A requirement that a contractor electing rights file patent applications 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, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign government or international organization pursuant to 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 and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(6) 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.

"(7) In the case of a nonprofit organization, (A) a prohibition upon the assignment of rights to a subject 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 or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor); (B) a prohibition against the granting of exclusive licenses under United States Patents or Patent Applications in a subject invention by the contractor to persons other than small business firms 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

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obtain premarket clearance unless, on a case-by-case basis, the Federal agency approves a longer exclusive license. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use, and a first commercial sale or use with respect to a product of the invention shall not be deemed to end the exclusive period to different subsequent products covered by the invention; (C) a requirement that the contractor share royalties with the inventor; and (D) 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 inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203 and 204 of this chapter.

Rights, retention.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provisions of this Act and regulations promulgated hereunder.

Rights, transfer or assignment.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

Third-party licensing, prohibition.

"(f)(1) No funding agreement with a small business firm or nonprofit organization shall 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 head of the agency and a written justification has been signed by the head of the agency. Any such provision shall 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 head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph.

"(2) A Federal agency shall not require the licensing of third parties under any such provision unless the head of the agency 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 the practical application of the subject invention or work object. Any such determination shall be on the record after an opportunity for an agency hearing. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

35 USC 203.

"§ 203. March-in rights

"With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to

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grant such a license itself, if the Federal agency determines that such—

"(a) action is necessary because the contractor or assignee 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;

"(b) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;

"(c) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) action is necessary because the agreement required by section 204 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 204.

"§ 204. Preference for United States industry 35 USC 204.

"Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible. Waiver.

"§ 205. Confidentiality 35 USC 205.

"Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

"§ 206. Uniform clauses and regulations 35 USC 206.

"The Office of Federal Procurement Policy, after receiving recommendations of the Office of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies implementing the provisions of sections 202 through 204 of this chapter and the Office of Federal Procurement Policy shall establish standard funding agreement provisions required under this chapter.

"§ 207. Domestic and foreign protection of federally owned inventions 35 USC 207.

"Each Federal agency is authorized to—

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"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

"(2) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the provisions of chapter 29 of this title as determined appropriate in the public interest;

35 USC 281 *et seq.*

"(3) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract; and

"(4) transfer custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in any federally owned invention.

35 USC 208.

"§ 208. Regulations governing Federal licensing

"The Administrator of General Services is authorized to promulgate regulations specifying the terms and conditions upon which any federally owned invention, other than inventions owned by the Tennessee Valley Authority, may be licensed on a nonexclusive, partially exclusive, or exclusive basis.

35 USC 209.

"§ 209. Restrictions on licensing of federally owned inventions

Development or marketing plan.

"(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the license has supplied the agency with a plan for development and/or marketing of the invention, except that any such plan may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

Manufacture in U.S.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a federally owned domestic patent or patent application only if, after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the invention to practical application or otherwise promote the invention's utilization by the public; and

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"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

Antitrust factors.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

Small business preference.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small business firms submitting plans that are determined by the agency to be within the capabilities of the firms and equally likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

Antitrust factors.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the United States in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with antitrust laws.

Record.

"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

Terms and conditions.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: *Provided,* That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code;

"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that the licensee is not executing the plan submitted with its request for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

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35 USC 210.

"§ 210. Precedence of chapter

"(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, including but not necessarily limited to the following:

"(1) section 10(a) of the Act of June 29, 1935, as added by title I of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085);

"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742);

91 Stat. 1320.

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C 1395(c); 80 Stat. 721);

"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

64 Stat. 154.

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

68 Stat. 944.

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

"(11) subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5);

"(12) section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878);

88 Stat. 1887.
42 USC 5908.

"(13) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 86 Stat. 1211);

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

"(15) section 8001(c)(3) of the Solid Waste Disposal Act (42 U.S.C. 6981(c); 90 Stat. 2829);

"(16) section 219 of the Foreign Assistance Act of 1961 (22 U.S.C. 2179; 83 Stat. 806);

"(17) section 427(b) of the Federal Mine Health and Safety Act of 1977 (30 U.S.C. 937(b); 86 Stat. 155);

"(18) section 306(d) of the Surface Mining and Reclamation Act of 1977 (30 U.S.C. 1226(d); 91 Stat. 455);

"(19) section 21(d) of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2218(d); 88 Stat. 1548);

"(20) section 6(b) of the Solar Photovoltaic Energy Research Development and Demonstration Act of 1978 (42 U.S.C. 5585(b); 92 Stat. 2516);

"(21) section 12 of the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178(j); 92 Stat. 2533); and

7 USC 178j.

"(22) section 408 of the Water Resources and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1360).

92 Stat. 1316.

The Act creating this chapter shall 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.

"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the perform-

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ance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the disposition of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued on August 23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to allow such persons to retain ownership of inventions. Any disposition of rights in inventions made in accordance with the Statement or implementing regulations, including any disposition occurring before enactment of this section, are hereby authorized. Rights, disposition.

"(d) Nothing in this chapter shall be construed to require the disclosure of intelligence sources or methods or to otherwise affect the authority granted to the Director of Central Intelligence by statute or Executive order for the protection of intelligence sources or methods. Disclosure.

"§ 211. Relationship to antitrust laws 35 USC 211.

"Nothing in this chapter 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.".

(b) The table of chapters for title 35, United States Code, is amended by adding immediately after the item relating to chapter 37 the following:

"38. Patent rights in inventions made with Federal assistance.".

SEC. 7. AMENDMENTS TO OTHER ACTS.—The following Acts are amended as follows:

(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".

(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).

(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and (i); 88 Stat. 1889–1891).

SEC. 8. (a) Sections 2, 4, and 5 of this Act will take effect upon enactment. Effective dates. 35 USC 41 note.

(b) Section 1 of this Act will take effect on the first day of the seventh month beginning after its enactment and will apply to patents in force as of that date or issued thereafter.

(c) Section 3 of this Act will take effect on the first day of the first fiscal year beginning on or after one calendar year after enactment. However, until section 3 takes effect, the Commissioner may credit the Patent and Trademark Office appropriation account in the Treasury of the United States with the revenues from collected reexamination fees, which will be available to pay the costs to the Office of reexamination proceedings.

(d) Any fee in effect as of the date of enactment of this Act will remain in effect until a corresponding fee established under section 41 of title 35, United States Code, or section 1113 of title 15, United States Code, takes effect.

(e) Fees for maintaining a patent in force will not be applicable to patents applied for prior to the date of enactment of this Act.

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(f) Sections 6 and 7 of this Act will take effect on the first day of the seventh month beginning after its enactment. Implementing regulations may be issued earlier.

(g) Sections 8 and 9 will take effect on the date of enactment of this Act.

Computerized data and retrieval system, report to Congress.
35 USC 14 note.

SEC. 9. The Commissioner of Patents and Trademarks shall report to Congress, within two years after the effective date of this Act, a plan to identify, and if necessary develop or have developed, computerized data and retrieval systems equivalent to the latest state of the art which can be applied to all aspects of the operation of the Patent and Trademark Office, and particularly to the patent search file, the patent classification system, and the trademark search file. The report shall specify the cost of implementing the plan, how rapidly the plan can be implemented by the Patent and Trademark Office, without regard to funding which is or which may be available for this purpose in the future.

SEC. 10. (a) Section 101 of title 17 of the United States Code is amended to add at the end thereof the following new language:

"Computer program."

"A 'computer program' is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.".

(b) Section 117 of title 17 of the United States Code is amended to read as follows:

17 USC 117.

"§ 117. Limitations on exclusive rights: Computer programs

17 USC 106.

"Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

"(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

"(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

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"Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner."

Approved December 12, 1980.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 96-1307, Pt. I (Comm. on the Judiciary) and No. 96-1307, Pt. 2 (Comm. on Government Operations).

CONGRESSIONAL RECORD, Vol. 126 (1980):
Mar. 20, S. 2446 considered and passed Senate.
Nov. 17, considered and passed House.
Nov. 20, considered and passed Senate, amended.
Nov. 21, House concurred in Senate amendment.

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ABSTRACTS

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1976 CIS/Annual:
House Hearings: H201-28; H201-33.
House Report: H203-9 (No. 94-1295, accompanying H.R. 13958).
1977 CIS/Annual:
House Hearings: H181-95; H201-24; H201-34.
House Reports: H183-39 (No. 95-566, pt. 2, accompanying H.R. 5503); H203-13 (No. 95-566, pt. 1, accompanying H.R. 5503).
1979 CIS/Annual:
Senate Hearings: S201-3.
Senate Report: S203-16 (No. 96-375).
1980 CIS/Annual:
Senate Hearings: S201-4.
House Report: H203-24 (No. 96-1462).
Congressional Record Vol. 125 (1979):
Nov. 30, considered and passed Senate.
Congressional Record Vol. 126 (1980):
Nov. 17, considered and passed House, amended.
Nov. 21, Senate concurred in House amendment.

PL96-514 DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS, FISCAL YEAR 1981.

Dec. 12, 1980. 96-2. 30 p.
* CIS/MF/3 ●Item 575.
94 STAT. 2957.

"Making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1981, and for other purposes."

Legislative history: (H.R. 7724 and related bill):

1980 CIS/Annual:
House Hearings: H181-16; H181-17; H181-18; H181-48; H181-49; H181-80; H181-81; H181-82; H181-107; H181-108.
Senate Hearings: S181-23; S181-24; S181-25.
House Reports: H183-24 (No. 96-1147); H183-40 (No. 96-1470, Conference Report).
Senate Report: S183-12 (No. 96-985).
Congressional Record Vol. 126 (1980):
July 30, considered and passed House.
Nov. 13, 14, 17, considered and passed Senate, amended.
Nov. 21, House agreed to conference report; receded from its disagreement and concurred in certain Senate amendments, in others with amendments, and disagreed to Senate amendment No. 128.
Dec. 1, Senate agreed to conference report; receded from Senate amendment No. 128 and concurred in House amendments.

PL96-515 NATIONAL HISTORIC PRESERVATION ACT AMENDMENTS OF 1980.

Dec. 12, 1980. 96-2. 20 p.
* CIS/MF/3 ●Item 575.
94 STAT 2987.

"To amend the National Preservation Act of 1966, and for other purposes."

Extends and revises Interior Dept national historic preservation programs. Also establishes a National Museum of the Building Arts and provides for U.S. participation in Convention Concerning the Protection of the World Cultural and Natural Heritage.

Legislative history: (H.R. 5496 and related bills):

1980 CIS/Annual:
Senate Hearings: S311-79.
House Report: H443-75 (No. 96-1457).
Senate Report: S313-40 (No. 96-943, accompanying S. 3116).
Congressional Record Vol. 126 (1980):
Nov. 17, considered and passed House.
Nov. 19, considered and passed Senate, in lieu of S. 3116.

PL96-516 NATIONAL SCIENCE FOUNDATION AUTHORIZATION AND SCIENCE AND TECHNOLOGY EQUAL OPPORTUNITIES ACT.

Dec. 12, 1980. 96-2. 8 p.
* CIS/MF/3 ●Item 575.
94 STAT. 3007.

"To authorize appropriations for activities for the National Science Foundation for the fiscal year 1981, and to promote the full use of human resources in science and technology through a comprehensive and continuing program to increase substantially the contribution and advancement of women and minorities in scientific, professional, and technical careers, and for other purposes."

Includes provision to establish within NSF a Committee on Equal Opportunities in Science and Technology.

Legislative history: (S. 568 and related bills):

1980 CIS/Annual:
House Hearings: H701-94.
Senate Hearings: S541-8; S541-39; S541-46.
House Reports: H703-13 (No. 96-999, accompanying H.R. 7115); H703-27 (No. 96-1474, Conference Report).
Senate Reports: S543-8 (No. 96-713); S543-19 (No. 96-1028, Conference Report).
Congressional Record Vol. 126 (1980):
June 16, H.R. 7115 considered in House.
June 23, S. 568 considered and passed Senate.
Sept. 4, H.R. 7115 considered and passed House; passage vacated and S. 568, amended, passed in lieu.
Nov. 21, Senate agreed to conference report.
Dec. 2, House agreed to conference report.

PL96-517 PATENT AND TRADEMARK LAWS, amendment.

Dec. 12, 1980. 96-2. 15 p.
* CIS/MF/3 ●Item 575.
94 STAT. 3015.

"To amend the patent and trademark laws."

Empowers Patent and Trademark Office to revise patent fees and establishes procedures to enable any party to request reexamination of a patent for validity. Also establishes uniform Government policy regarding patent rights to inventions resulting from federally supported R&D.

Includes provisions redefining limitations on owners of copies of copyrighted computer programs.

Legislative history: (H.R. 6933 and related bills):

1971 CIS/Annual:
Senate Hearings: S521-55; S521-56.
1973 CIS/Annual:
House Document: H520-7.
1974 CIS/Annual:
Senate Hearings: S521-19.
1976 CIS/Annual:
House Committee Print: H702-30.
Senate Report: S523-8 (No. 94-642, accompanying S. 2255).
1977 CIS/Annual:
House Hearings: H701-34.
House Committee Print: H702-7.
1978 CIS/Annual:
Senate Hearings: S721-10; S721-31; S721-32.
House Committee Print: H702-23.
1979 CIS/Annual:
Senate Hearings: S521-57.
Senate Report: S523-30 (No. 96-480, accompanying S. 414).
1980 CIS/Annual:
House Hearings: H701-70.
Senate Hearings: S261-19; S261-34; S521-36.
House Reports: H403-19 (No. 96-1307, pt. 2); H523-34 (No. 96-1307, pt. 1); H723-9 (No. 96-1006, pt. 1, accompanying H.R. 5607).
Senate Report: S523-5 (No. 96-617, accompanying S. 1679).
Congressional Record Vol. 126 (1980):
Nov. 17, considered and passed House.
Nov. 20, considered and passed Senate, amended.
Nov. 21, House concurred in Senate amendment.

PL96-518 WARREN GRANT MAGNUSON CLINICAL CENTER OF THE NATIONAL INSTITUTES OF HEALTH, designation.

Dec. 12, 1980. 96-2. 1 p.
* CIS/MF/3 ●Item 575.
94 STAT. 3030.

"To designate the Clinical Center of the National Institutes of Health located in Montgomery County, Maryland, as the 'Warren Grant Magnuson Clinical Center of the National Institutes of Health'."

Legislative history: (S.J. Res. 213):

Congressional Record Vol. 126 (1980):
Dec. 2, considered and passed Senate.
Dec. 3, considered and passed House.

PL96-519 U.S. CIVILIAN AND MILITARY PERSONNEL, claims against U.S., payment.

Dec. 12, 1980. 96-2. 2 p.
* CIS/MF/3 ●Item 575.
94 STAT. 3031.

"To provide for the settlement and payment of claims of United States civilian and military personnel against the United States for losses resulting from acts of violence directed against the United States Government or its representatives in a foreign country or from an authorized evacuation of personnel from a foreign country."

Amends Military Personnel and Civilian Employees' Claims Act of 1964.

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H701-69.5: Mar. 30, 1979. p. 89-106.
Witness: **ROBERSON, Floyd I.,** Dir, Technology Transfer Div, NASA.
Statement and Discussion: Explanation of NASA Technology Utilization Program; description of Regional Remote Sensing Applications Program application and use by State and local governments (State programs status, table, p. 97-102).

H701-69.6: Mar. 30, 1979. p. 106-108.
Witness: **SIEGEL, Alan,** Dir, Div of Govt Capacity Bldg, HUD.
Statement and Discussion: Explanation of HUD financial capacity sharing program to improve State and local governments financial management practices.

H701-69.7: Mar. 30, 1979. p. 121-131.
Witnesses: **HASTILLO, Edward,** 1st selectman, East Windsor, Conn.
BURNS, William, under sec, comprehensive planning, Conn Office of Policy and Mgmt.
LYNCH, Dennis M., mayor, Pawtucket, RI.
Statements and Discussion: Examples of agricultural and financial management technology transfer; briefing on NEIG technology utilization program.

H701-69.8: Mar. 30, 1979. p. 137-183, 191-192.
Witnesses: **PARKER, John K.,** pres, Public Technology Inc. (PTI).
KNIGHT, Fred, Intl City Mgmt Assn (ICMA).
ECKFIELD, Richard E., US Conf of Mayors.
COX, Robert A., dir, NEIG.
DUNN, Delmer, dir, Inst of Govt, Univ of Ga.
Statements and Discussion: Background on PTI technology exchange services to local governments (paper, p. 151-153); description of PTI experience operating national technology networks, including Urban Technology System (paper, p. 154-162); need for mechanism to promote transfer of State-local technology to Federal level. (p. 137-166)
Description of ICMA peer exchange program; need for Federal science policy budgetary and priority balance; role of universities in technology transfer process. (p. 167-183)

H701-69.9: Mar. 30, 1979. p. 184-185.
Witness: **USDAN, Michael,** commr, Conn Bd of Higher Educ.
Statement and Discussion: Recommendation for more effective Federal technology transfer policies.

H701-69.10: Additional Testimony.
Witnesses: **MARIANO, Tony,** town selectman, Marlboro, Conn, p. 108.
BELANGER, Joseph A., energy div, Conn Office of Policy and Mgmt, p. 110.
KEETING, Steve, energy mgmt div, Conn Dept of Administrative Services, p. 110-111.
CUSHAN, Ed, Mathematica, Inc., p. 111-112.
RUSSELL, Charles, dean of instruction, Mattatuck Community Coll, p. 112, 134.
DEEKS, Edward, assoc economics prof, Fairfield Univ, p. 113.
BERKIMER, Donald, Coast Guard R&D Center, p. 113-114.
BORRELL, Lawrence, pres, Hartford State Technical Coll, p. 114.
SPANO, Leo, US Army-Navy R&D Command, Natick, Mass, p. 115.
COGAN, Joel, dir, Conn Conf of Municipalities, p. 115-119.
HENDEL, Patricia T., State rep, Conn; member, policy dev committee, New England Innovation Group (NEIG), p. 119-120.
LEVITT, Israel M., exec dir, Mayor's Science and Technology Advisory Council, Philadelphia, Pa, p. 131-132.
MILLER, Joe, city mgr, Rochester, NY, p. 133-134.
JOLLY, Jim, prof, Calif State Univ; editor, J Technology Transfer, p. 134-136.
WARREN, Dr., representing science resource office, Mass Legislature, p. 136.
WEBSTER, Doug, assoc dir, dev, Univ of Conn, p. 185-187.
DOUGIN, Charles, dir, research, Conn Dept of Transportation, p. 187-188.
ABINGTON, Dick, dir, technical planning, United Technologies Corp., p. 188-190.
PAKE, Bryant, community dev dept, Berlin, NH, p. 190-191.
Statements and Discussion: Views on various aspects of technology transfer.

H701-70 ✓ **GOVERNMENT PATENT POLICY.**
Oct. 16, 17, 1979. 96-1.
iii+221 p. † CIS/MF/5
●Item 1025-A.
°Y4.Sci2:96/102.
MC 80-22889. LC 80-602808.

Committee Serial No. 102. Oversight hearings before the *Subcom on Science, Research, and Technology* to examine Federal policies for determining patent rights to inventions resulting from federally financed R&D. Focuses on the need for improved patent rights for Government R&D contractors, including small business and universities.
Appendices (p. 193-221) include correspondence and submitted statements.

H701-70.1: Oct. 16, 1979. p. 2-12.
Witness: **SCHMITT, Harrison H.,** (Sen, R-NMex)
Statement and Discussion: Adverse effects of Government patent policies on commercial application of inventions.

H701-70.2: Oct. 16, 1979. p. 12-43.
Witnesses: **DENNY, James E.,** Asst Gen Counsel, Patents, DOE.
MOSSINGHOFF, Gerald J., Dep Gen Counsel, NASA.
DUNNER, Donald R., pres, Amer Patent Law Assn.
Statements: Explanation of DOE and NASA patent policies; need for uniform Government patent policy. (p. 12-23)
Discussion: Factors in determining equitable royalty payments for inventions; advisability of establishing procedures for private contractors to obtain exclusive license to their inventions. (p. 24-43)

H701-70.3: Oct. 17, 1979. p. 45-166.
Witnesses: **MANBECK, Harry F., Jr.,** gen patent counsel, Gen Electric Co.
STACY, Gardner W., pres, Amer Chemical Soc; accompanied by **Marcy, Willard,** chm, committee on patents and related legislation.
MAURER, John E., dir, patent dept, Monsanto Co.
BRENNER, Edward J., pres, Assn for the Advancement of Invention and Innovation.
Statements and Discussion: Summary and clarification of written statements. (p. 45-61, 154-166)
Written Statements: Recommendations to improve Federal policy regarding patent rights of Government contractors; arguments for inventor's exclusive right to commercialize federally funded innovations (related article, p. 82-86); objections to special patent rights for small business; sectional analyses of S. 1215 and H.R. 5427, both to establish uniform policy for Federal contractor patent rights. (p. 61-153)
Insertion: Action, J of the Assn for the Advancement of Invention and Innovation, May-June 1979 issue (p. 123-153).

H701-70.4: Oct. 17, 1979. p. 167-191.
Witnesses: **IANNOTTA, Patrick,** pres, Ecolotrol, Inc.
COLEMAN, Charles M., independent inventor.
DAVIS, Ralph L., patent mgr, Office of Patent Mgmt, Purdue Research Fdn; representing Soc of Univ Patent Administrators.
Statements and Discussion: Reasons for perceived prejudice against small companies in Federal R&D programs; unfairness of Government patent policy and related court procedures toward small businesses; effect of inconsistent patent policies on university technology transfer.

H701-71 GOVERNMENT- UNIVERSITY ACCOUNTABILITY RELATIONSHIP IN THE FIELD OF SCIENTIFIC RESEARCH.
Mar. 24, 1980. 96-2.
iii+251 p. † CIS/MF/5
●Item 1025-A.
°Y4.Sci2:96/110.
MC 80-26748. LC 80-602710.

Committee Serial No. 110. Hearing before the full committee and the *Subcom on Science, Research, and Technology* to review the relationship between research universities and the Government, focusing on university financial and administrative accountability for Federal research funds.

H701-71.1: Mar. 24, 1980. p. 3-90.
Witnesses: **MOSHER, Charles A.,** Member, Natl Commission on Research.
PINGS, Cornelius J., Dir.
Statements and Discussion: Presentation of report (short version, p. 15-39; full text, p. 40-81) and recommendations on Government/university research relationship, focusing on accountability issues; elaboration of report conclusions and issues involved in Government/university relationship.

H701-71.2: Mar. 24, 1980. p. 90-251.
Witnesses: **SAXON, David S.,** pres, Univ of Calif; also representing Assn of Amer Univs.
LORDAN, John J., Chief, Financial Mgmt Br, OMB.
Statements and Discussion: Problems with current relationship between Government and universities regarding management and conduct of research; review of Federal efforts to improve research grant accountability (related OMB circulars, p. 165-246).

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S261-18.3: June 19, 1979. p. 39-48.
Witness: **DURANT, John J. (Col.),** Dir, Personal Property, Military Traffic Mgmt Command, Army Dept.
Statement and Discussion: Review of DOD personal property transfer program.

S261-18.4: June 19, 1979. p. 49-101.
Witnesses: **FRANTZ, Welby M.,** pres, Amer Movers Conf.
ZIMMERMAN, Charles W., pres, Wheaton Van Lines; bd chm, Amer Movers Conf.
CUMMINS, Edward M., exec vp and chief operating officer, United Van Lines; immediate past bd chm, Amer Movers Conf.
ALBERTI, Dominic, owner/operator, Alberti Van and Storage Co, Mercury Van Lines, and Mercury Air Freight Co; treas, Amer Movers Conf.
McDANIEL, Charles, pres, Hildrup Transfer and Storage; chm, committee on movers aff, Amer Movers Conf.
Statements and Discussion: Recommended household goods moving industry regulatory revisions, with opposition to deregulation; criticism of certain ICC regulations as not benefiting consumers. (p. 49-74)
Support for moving industry entry controls and collective ratemaking retention; views on industry ability to accurately estimate moving service charges; basis for consumer protection regulations. (p. 74-101)

S261-18.5: June 19, 1979. p. 101-163.
Witnesses: **WATERS, Lee,** pres, Bekin Van Lines Co.
EPSTEIN, Sidney, sr vp, Allied Van Lines, Inc.
SCHUMACHER, Edward W., pres, Global Van Lines, Inc.; all also representing Household Goods Carriers' Bur, Inc.
Statements and Discussion: Importance of collective ratemaking for household goods moving industry; rebuttal of arguments favoring industry deregulation. (p. 101-112)
Description of moving industry structure; consequences of elimination of collective ratemaking; denial that collective ratemaking produces excessive profits; views on fair rate of return for moving industry (selected carriers earnings, 1977-1978, tables). (p. 112-163)
Insertion: Collective ratemaking, ICC meeting transcript, Feb. 6, 1979 (p. 119-133).

S261-18.6: June 19, 1979. p. 163-188.
Witnesses: **CIRKER, Stanley S.,** pres, Natl Furniture Warehousemen's Assn.
SIBILA, Ronald R., pres, Mayflower Warehousemen's Assn.
TULL, Robert, vp, Natl Inst of Certified Moving Consultants.
Statements: Support for household goods moving industry regulatory revisions; criticism of ICC enforcement methods; support for continuing industry regulation by ICC. (p. 163-184)
Discussion: Clarification of support for continued ICC regulation of moving industry. (p. 184-188)

S261-18.7: June 19, 1979. p. 188-200.
Witnesses: **PERSON, Timothy,** owner and pres, Allstates Transcontinental Van Lines.
DUNCAN, Norman, natl dir, Minority Trucking and Transportation Dev Corp.
Statements and Discussion: Status of minority-owned firms in household goods moving industry, including problems gaining entry into industry.

S261-18.8: June 19, 1979. p. 200-210.
Witness: **NELSON, Sharon,** legis counsel, DC office, Consumers Union.
Statement and Discussion: Arguments for household goods moving industry deregulation.

S261-18.9: June 19, 1979. p. 210-246.
Witnesses: **McNAUGHTON, R. D.,** pres, Pa Furniture Warehousemen's Assn.
LESTER, V. B., Jr., pres, Carter's Moving and Storage; representing Ill Movers' and Warehousemen's Assn.
DUNN, Daniel W., exec dir, Mass Furniture and Piano Movers Assn.
WILLIAMS, Harold, Williams Moving and Storage Co.; also representing, Mo Movers Assn.
HIGHNOTE, Henry, owner/operator, Highnote Moving and Storage Co.; dir, Ga Movers Assn.
MIRUS, A. F., Sr., chm, rates and tariff committee, Ky Household Goods Carriers Assn.
REINERT, Ed, mgr, Palace Transfer and Storage Co.
MORRIS, James P., both representing, NMex Movers and Warehousemen's Assn.
AUSTIN, John E., Jr., pres, Austin Moving and Storage Co, Inc; representing SC Household Goods Movers Conf.
BRODSKY, David, atty, representing NY State Movers and Warehousemen's Assn.
Statements and Discussion: Opposition to household goods moving industry deregulation, with suggested regulatory revisions; criticism of ICC regulation enforcement practices.

S261-18.10: Sept. 26, 1979. p. 274-309.
Witnesses: **FRANTZ, Welby M.,** pres, Amer Movers Conf.
ZIMMERMAN, Charles W., pres, Wheaton Van Lines; bd chm, Amer Movers Conf.
WATERS, Lee, pres, Bekin Van Line Co; representing Household Goods Carriers' Bur, Inc.
McDANIEL, Charles, pres, Hildrup Transfer and Storage; chm, committee on movers aff, Amer Movers Conf.
CUMMINS, Edward M., exec vp and chief operating officer, United Van Lines; immediate past bd chm, Amer Movers Conf.
WASPI, John, vp and sec, Global Van Lines, Inc; chm, spec committee on regulatory compliance, Amer Movers Conf.
ALBERTI, Dominic, owner/operator, Alberti Van and Storage Co; Mercury Van Lines, and Mercury Air Freight Co; treas, Amer Movers Conf.
GOLDEN, Zan, sr vp, North Amer Van Lines; bd member, Amer Movers Conf.
Statements and Discussion: General support for S. 1798; analysis of bill provisions, with recommended amendments.

S261-18.11: Oct. 11, 1979. p. 368-390.
Witnesses: **CUTLER, Mimi,** dir, Transportation Consumer Action Project.
DRABBLE, Nancy, staff atty, Public Citizen's Congress Watch.
NELSON, Sharon, legis counsel, DC office, Consumers Union.
Statements and Discussion: Review of consumer protection amendments to S. 1798.

S261-18.12: Govt Witnesses Bill Support.
Witnesses: **O'NEAL, A. Daniel,** Chm, ICC, p. 316-354.
CADWELL, Charles, Office of Gen Counsel, Office of Consumer Aff; also on behalf of:
PETERSON, Esther, Dir, Office of Consumer Aff, p. 355-368.
Statements and Discussion: General support for S. 1798; recommended bill amendments.
Insertion: "Are Forwarders' Rates for Moving Military Household Goods High Enough To Cover Costs?" GAO rpt, July 30, 1979, with tables (p. 321-340).

S261-18.13: Additional Testimony.
Witnesses: **BRODSKY, David,** gen counsel, NY State Movers and Warehousemen's Assn, and Natl Inst of Certified Moving Consultants, p. 309-314.
COLLINS, Thomas R., Jr., pres, Gen Van and Storage Co; also representing Natl Furniture Warehousemen's Assn, p. 309-314.
GALLAGHER, Robert, atty, p. 309-314.
NEW, Parker, pres, New Bell Storage Corp; representing Natl Furniture Warehousemen's Assn, Natl Inst of Certified Moving Consultants, and the NY State Movers and Warehousemen's Assn, p. 391-392.
Statements and Discussion: Views on household goods moving industry regulatory revision.

S261-19 **PATENT POLICY, Part 1.**
July 23, 27, Oct. 25, 1979.
96-1. iv+456 p. il. †
CIS/MF/7 •Item 1041.
°Y4.C73/7:96-60/pt.1.
MC 80-11044. LC 80-601114.

Committee Serial No. 96-60. Hearings before the *Subcom on Science, Technology, and Space* to consider S. 1215 (text, p. 5-32), the Science and Technology Research and Development Utilization Policy Act, to establish a uniform policy for determining patent rights to inventions resulting from federally financed R&D. Bill includes specific criteria limiting Federal acquisition of patent rights and allowing contractors or inventors to retain patent rights in most cases.
Supplementary material (p. 411-456) contains submitted statements, correspondence, and "Draft Report on Patent Policy," Advisory Committee on Industrial Innovation Subcom on Patent and Information Policy, Dec. 20, 1978 (p. 411-430).

S261-19.1: July 23, 1979. p. 53-215.
Witnesses: **MOSSINGHOFF, Gerald J.,** Dep Gen Counsel, NASA.
DENNY, James E., Asst Gen Counsel, Patents, DOE; Chm, Subcom on Intellectual Property, Fed Coordinating Council.
Statements and Discussion: Explanation of NASA patent policies (Fed Register excerpts, p. 64-69); differences between commercialization rates of NASA owned and contractor-acquired patents (tables, p. 84-85). (p. 53-86)
Experiences with DOE patent regulations (text, p. 96-148); advantages of flexible approach to Government patent ownership; effects of Federal patent policies and practices on development and commercialization of Government-sponsored inventions; clarification of NASA patent policy on joint agency endeavors (memo, p. 186-199). (p. 86-215)

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Insertions: "Harbridge House Study of Government Patent Policy," Richard I. Miller, synopsis prepared for committee, June 21, 1979, with tables (p. 151-181).

Patent practices of DOE, HEW, DOD and NASA, summary prepared by GAO, July 17, 1979 (p. 202-215).

S261-19.2: July 23, 1979. p. 239-278.

Witnesses: **BREMER, Howard W.,** patent counsel, Wis Alumni Research Fdn; representing Univ of Wis and three educ organizations.
MARCY, Willard, vp, invention admin program, Research Corp.

Statements and Discussion: Potential of S. 1215 to promote timely technology commercialization; recommended bill modifications based on university contracting experiences; background and economic implications of Government patent policy (article, p. 248-263); barriers to technological innovation due to patent uncertainties.

Insertion: "Science and Industry, Challenges of Antagonistic Interdependence," Peter F. Drucker, Science, May 25, 1979 (p. 273-278).

S261-19.3: July 27, 1979. p. 280-320.

Witnesses: **ARNOLD, Tom,** pres, Amer Patent Law Assn; former member, Advisory Subcom on Patent and Info Policy.
MANBECK, Harry F., Jr., gen patent counsel, Gen Electric Co; also representing subcom on technology policy, Committee for Economic Dev (CED).

Statements and Discussion: Deficiencies in patent system and Patent and Trademark Office (PTO) procedures; support for S. 1215 with suggested amendments (summary, p. 295-296); patent policy revisions to promote industrial innovation (CED position paper, p. 302-310); counterproductiveness of requiring contractor to repay Government share of development cost for commercially utilized inventions.

S261-19.4: July 27, 1979. p. 320-346.

Witnesses: **LEMELSON, Jerome H.,** pres, Licensing Mgmt Corp; Member, PTO Advisory Committee.
BURKARD, Herbert G., corporate patent counsel, Raychem Corp.
LODGE, Gerald A., chm, Innoven Capital Corp.
RABINOW, Jacob, Consultant, Natl Bur of Standards; former vp, Control Data Corp.

Statements and Discussion: Experiences of inventors and corporations with patent system; proposed revisions in PTO procedures to increase certainty of patent validity and decrease litigation; views on S. 1215.

S261-19.5: Oct. 25, 1979. p. 364-371.

Witness: **CHURCH, Dale W.,** Dep Under Sec, DOD.

Statement and Discussion: Conformance of current DOD patent policies with S. 1215.

S261-19.6: Oct. 25, 1979. p. 383-409.

Witness: **RICKOVER, Hyman G. (Adm.),** Dep Cmdr, Nuclear Propulsion, Naval Sea Systems Command.

Statement and Discussion: Reasons for opposing S. 1215; rebuttal of argument that Government patent policy deters innovation; viewed propriety of Government retention of rights to all publicly financed inventions.

S261-19.7: Additional Testimony.

Witnesses: **JOHNSON, R. Tenney,** atty, Sullivan & Beauregard; former Atty, DOD, NASA and ERDA, p. 33-53.
McCLOSKEY, Peter F., pres, Electronic Industries Assn, p. 216-239.
HARR, Karl G., Jr., pres, Aerospace Industries Assn, p. 216-239.
WITT, Hugh E., dir, govt liaison, United Technologies Corp., p. 216-239.
LONSDALE, Harold K., pres, Bend Research, Inc., p. 216-239.
RABINOW, Jacob, Consultant, Natl Bur of Standards; former vp, Control Data Corp, p. 350-364.
ARMSTRONG, Marshall J., asst gen mgr, energy and instruments group, Thermo Electron Corp., p. 371-382.
NEAL, James L., corp counsel, p. 371-382.

Statements and Discussion: General support for S. 1215; evolution and complexity of current patent policy (Johnson); recommended bill revisions to stimulate small business innovation (Lonsdale); defense of patent system (Rabinow).

S261-20 INCREASED COAL RATES ON THE LOUISVILLE AND NASHVILLE RAILROAD.
Sept. 24, 1979. 96-1.
iii+77 p. † CIS/MF/3
●Item 1041.
°Y4.C73/7:96-61.
MC 80-13181. LC 80-601141.

Committee Serial No. 96-61. Hearing before the *Subcom on Surface Transportation* to examine ICC decision to allow Louisville and Nashville Railroad Co. (L&N) to increase coal freight rates.

Full Committee Member Wendell H. Ford (D-Ky) presents a statement (p. 1-2) and participates in questioning witnesses.

Contains "Report on Railroad Deregulation and Eastern Kentucky Coal-September 1979," Federal Railroad Administration, rpt with tables (p. 68-77).

S261-20.1: Sept. 24, 1979. p. 2-33.

Witness: **O'NEAL, A. Daniel,** Chm, ICC.

Statement and Discussion: Justification for ICC decision to allow coal rate increase; reasons for L&N financial problems; comments on Seaboard Coast Line Railroad Co. management of L&N.

S261-20.2: Sept. 24, 1979. p. 34-55.

Witness: **GALLAMORE, Robert E.,** Dep Administrator, Fed RR Admin; accompanied by **Hymson, Edward B.,** Asst to Dep Sec, DOT.

Statement and Discussion: Summary of factors contributing to L&N financial difficulties; implications of railroad freight rates for coal price competition with other fuels; views on alternative means of transporting coal.

S261-20.3: Sept. 24, 1979. p. 55-67.

Witness: **COLEMAN, Lynn R.,** Gen Counsel, DOE.

Statement and Discussion: Adverse impact of L&N coal rate increase on electric utilities coal conversion to conserve natural gas and petroleum.

S261-21 NASA AUTHORIZATION FOR FY81, Part 1.
1980. 96-2. iv+793 p. il.
† CIS/MF/10 ●Item 1041.
°Y4.C73/7:96-62/pt.1.
MC 80-11045. LC 80-601472.

Committee Serial No. 96-62. Contains budget data submitted for use during hearings to consider S. 2240, to authorize NASA appropriations for FY81. Includes general statement (p. 1-3), budget summary (p. 4-15), and detailed data for the following program areas:

a. R&D programs, including space shuttle, space flight operations, expendable launch vehicles, space and life sciences, physics and astronomy, planetary exploration, space and terrestrial applications, aeronautical and space technology, and tracking and data acquisition (p. 16-288).

b. Research and program management, including staffing and facility operational and administrative support at Johnson Space Center, Kennedy Space Center, Marshall Space Flight Center, National Space Technology Laboratories, Goddard Space Flight Center, Wallops Flight Center, Ames Research Center, Dryden Flight Research Center, Langley Research Center, Lewis Research Center, and NASA headquarters. Also includes budget data for Jet Propulsion Laboratory (p. 289-561).

c. Construction of facilities, including improvements at Ames Research Center, Jet Propulsion Laboratory, Kennedy Space Center, Langley Research Center, Lewis Research Center, Michoud Assembly Facility, and space shuttle facilities (p. 562-768).

Also includes budget data in support of NASA supplemental FY80 request for space shuttle development programs (p. 769-793).

S261-22 NATIONAL TECHNOLOGY INNOVATION ACT.
June 21, 27, Nov. 21, 1979.
96-1. v+426 p. il. †
CIS/MF/7 ●Item 1041.
°Y4.C73/7:96-63.
MC 80-11046. LC 80-601065.

Committee Serial No. 96-63. Hearings before the *Subcom on Science, Technology, and Space* to consider S. 1250 (text, p. 3-17, dept rpt, p. 251-254), the National Technology Innovation Act of 1979, to promote U.S. technological innovation by creating an Office of Industrial Technology within the Commerce Dept to provide assistance for the establishment of Centers for Industrial Technology.

Centers, located at universities or non-profit institutions, would conduct joint university/industry research leading to commercialization of innovative products.

Supplementary material (p. 169-426) includes submitted statements, correspondence, witnesses written replies to subcom questions, and articles, including:

a. Udell, Gerald G. (Univ of Oreg), "Coupling Industry and University To Stimulate Technological Innovation" (p. 207-216).

b. Colton, Robert M., "Analysis of the National Science Foundation's Innovation Centers Experiment" July 1977 (p. 260-295).

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Insertion: "Oil and the Sea," Amer Petroleum Inst, research study findings on effects of oil on marine environment, with illus and bibl (p. 151-177).

S261-33.8: Dec. 5, 1979. p. 178-218.

Witnesses: **FARRINGTON, John W.,** assoc scientist, chemistry dept, Woods Hole Oceanographic Inst.
LASETER, John L., dir, Center for Bio-Organic Studies, Univ of New Orleans.
GUNDLACH, Erich, geologist, Research Planning Inst.
HANN, Roy W., Jr., civil engineering prof, Tex A & M Univ.
MALINS, Donald C., Dir, Environmental Conservation Div, Northwest and Alaska Fisheries Center, Natl Marine Fisheries Service.

Statements and Discussion: Inadequacy of funding for research on effects of oil on marine environment; study findings regarding oil spill effects on human health and beaches, fish, and other marine life; recommended State and Federal activities to improve coastal protection from oil spills.

Insertion: NOAA research cruise findings on Campeche oil spill, rpts, Sept.-Oct. 1979, with helicopter ops plan (p. 186-199).

S261-33.9: Dec. 5, 1979. p. 218-233.

Witnesses: **WARNER, Langdon,** science assoc, Environmental Def Fund.
HOWARTH, Robert W., research scientist, Ecosystems Center, Marine Biological Lab, Woods Hole, Mass.
LANZILLO, Jay, Chatham Fishermen's Assn.
CURTIS, Clifton E., staff atty, intl project, Center for Law and Social Policy.

Statements and Discussion: Feared adverse effects on Georges Bank fishery of proposed oil development; need to establish damage assessment review program to obtain information on oil spill effects.

S261-34 PATENT POLICY, Part 2.
Jan. 25, 1980. 96-2.
iii+457-562 p. † CIS/MF/4
●Item 1041.
°Y4.C73/7:96-60/pt.2.
MC 80-13180. LC 80-601114.

Committee Serial No. 96-60. Continuation of hearings, in this volume held jointly with the Senate Judiciary Committee, to consider legislation to establish a uniform policy for determining patent rights to inventions resulting from federally financed R&D.

This volume focuses on Administration draft bill (text, sectional analysis, p. 473-492), the Government Patent Policy Act of 1980, to allow small businesses and nonprofit organizations to receive title to their federally supported inventions and to permit the Government to retain patent to inventions by other contractors, while granting the contractor an exclusive license for commercial applications.

Includes submitted statements and correspondence (p. 461-465, 557-562).

S261-34.1: Jan. 25, 1980. p. 465-513.

Witnesses: **BARUCH, Jordan J.,** Asst Sec, Science and Technology, Commerce Dept.
HERZ, Charles H., Gen Counsel, NSF.

Statements and Discussion: Need for uniform policy for inventions resulting from Government-supported R&D; explanation of Administration draft bill; clarification of proposal for licensing inventions to contractors for commercialization; merits of Administration proposal for public access to technological innovations and for university and small business contractors.

S261-34.2: Jan. 25, 1980. p. 513-556.

Witnesses: **THRODAHL, Monte C.,** sr vp, Monsanto Co.
BENSON, Robert B., dir, patent law dept, Allis-Chalmers Corp.; past chm, subcom on patent and info policy, Advisory Committee on Industrial Innovation.
BROSEGHINI, Albert L., dir, research admin, Children's Hosp Medical Center, Boston, Mass; also representing Assn of Independent Research Insts.
BLAIR, Homer O., vp, patents and licensing, Itek Corp.; past pres, Licensing Execs Soc.
HASKELL, James K., dir, patents and licensing, Hughes Aircraft Co.
SCHELLIN, Eric P., bd chm, Natl Small Business Assn; also representing Small Business Legis Council (SBLC), and Amer Soc of Inventors.

Statements and Discussion: Varying perspectives on Administration proposal; Association of Independent Research Institutes and SBLC preference for S. 414, the University and Small Business Patent Procedures Act, to provide for university and small business contractors acquisition of patent rights to Government-supported inventions.

S261-35 NOMINATIONS- DOT, FEMA.
Dec. 11, 1979. 96-1.
iii+47 p. † CIS/MF/3
●Item 1041.
°Y4.C73/7:96-71.
MC 80-15546. LC 80-602001.

Committee Serial No. 96-71. Hearing to consider the following nominations:

a. William J. Beckham, Jr. (mgr, research and planning, North Amer govtl aff office, Ford Motor Co) to be Deputy Secretary, DOT.

b. Susan J. Williams (Act Asst Sec, DOT) to be Assistant Secretary, Governmental and Public Affairs, DOT.

c. William B. Johnston (Assoc Dir, Domestic Policy Staff, Exec Office of Pres) to be Assistant Secretary, Policy and International Affairs, DOT.

d. Richard J. Green (Assoc Dir Designate; former Dir, Ops, Applied Science and Research Applications, NSF) to be Associate Director, Mitigation and Research, Federal Emergency Management Agency (FEMA).

S261-35.1: Nominees Testimony.

Witnesses: **BECKHAM, William J., Jr.,** nominee to be Dep Sec, DOT, p. 2-9, 12-22.
WILLIAMS, Susan J., nominee to be Asst Sec, Govtl and Pub Aff, DOT, p. 3-9, 12-22.
JOHNSTON, William B., nominee to be Asst Sec, Policy and Intl Aff, DOT, p. 3-9, 12-22.
GREEN, Richard J., nominee to be Assoc Dir, Mitigation and Research, FEMA, p. 23-47.

Statements and Discussion: Views on responsibilities of appointed offices; opinions on various issues under jurisdiction of designated offices.

S261-35.2: Nominees Support.

Committee Members: **RIEGLE, Donald W., Jr.,** (Sen, D-Mich), p. 9-10.
WARNER, John W., (Sen, R-Va), p. 10-12.

Statements and Discussion: Introduction and endorsement of nominees.

S261-36 WAR RISK INSURANCE.
Dec. 11, 1979. 96-1.
iii+52 p. † CIS/MF/3
●Item 1041.
°Y4.C73/7:96-70.
MC 80-15545. LC 80-601958.

Committee Serial No. 96-70. Hearing before the *Subcom on Merchant Marine and Tourism* to consider S. 1452 to extend permanently Commerce Dept authority to issue war risk insurance under Title XII of the Merchant Marine Act of 1936.

Includes correspondence (p. 37-52).

S261-36.1: S. 1452 Support.

Witnesses: **DICKSTEIN, Leonard H.,** Act Gen Counsel, Maritime Administration (MarAd), p. 3-11, 20.
PYATT, Everett, Principal Dep Asst Sec, Logistics, Navy Dept, p. 11-13.
YOURCH, Eugene A., exec sec, Fedn of Amer Controlled Shipping, p. 21-31.
MAY, Albert E., exec vp, Council of Amer-Flag Ship Operators, p. 31-34.
BURKE, Barbara, dir, pub and legis aff, Amer Inst of Merchant Shipping, p. 34-36.

Statements and Discussion: Support for permanent extension of war risk insurance; critisicm of restrictive regulatory policies of MarAd (Yourch).

S261-36.2: Additional Testimony.

Witnesses: **KOCH, Robert J.,** vp, admin, Lykes Bros Steamship Co; representing Natl Maritime Council, p. 14-18.
BRAND, Herbert, pres, Transportation Inst, p. 18-20.

Statements and Discussion: Support for 5-year extension of war risk insurance program.

S261-37 NOMINATION-CAB.
Feb. 26, 1980. 96-2.
iii+11 p. † CIS/MF/3
●Item 1041.
°Y4.C73/7:96-78.
MC 80-15553. LC 80-602003.

Committee Serial No. 96-78. Hearing to consider the nomination of George A. Dalley (Dep Asst Sec, Intl Organization Aff, State Dept) to be Member, CAB.

S261-37.1: Feb. 26, 1980. p. 1-11.

Witness: **DALLEY, George A.,** nominee to be Member, CAB.

Statement and Discussion: Views on various issues under CAB authority.

S261-38 NOMINATION-CAB.
Feb. 4, 1980. 96-2.
iii+28 p. † CIS/MF/3
●Item 1041.
°Y4.C73/7:96-73.
MC 80-15548. LC 80-602000.

Committee Serial No. 96-73. Hearing to consider nomination of Marvin S. Cohen (Chm, CAB) for an additional 6-year term.

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96TH CONGRESS
2D SESSION

H. R. 6933

Entitled: "To amend the patent and trademark laws".

IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 1980

Mr. KASTENMEIER (for himself, Mr. RODINO, and Mr. RAILSBACK) introduced the following bill; which was referred to the Committee on the Judiciary

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A BILL

Entitled: "To amend the patent and trademark laws".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 29 the following new chapter 30:

"CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

"Sec. 301. Citation of prior art.
"Sec. 302. Request for reexamination.
"Sec. 303. Determination of issue by Commissioner.
"Sec. 304. Reexamination order by Commissioner.
"Sec. 305. Conduct of reexamination proceedings.
"Sec. 306. Appeal.
"Sec. 307. Certificate of patentability, unpatentability, and claim cancellation.

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"§ 301. Citation of prior art

"Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

"§ 302. Request for reexamination

"Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Secretary of Commerce pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

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"§ 303. Determination of issue by Commissioner

"(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and at any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

"(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

"(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

"§ 304. Reexamination order by Commissioner

"If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a

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substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

"§ 305. Conduct of reexamination proceedings

"After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as

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claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

"§ 306. Appeal

"The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

"§ 307. Certificate of patentability, unpatentability, and claim cancellation

"(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

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"(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.".

SEC. 2. Section 41 of title 35, United States Code, entitled "Patents", is amended to read as follows:

"§ 41. Patent fees

"(a) The Secretary of Commerce will establish fees for the processing of an application for a patent, from filing through disposition by issuance or abandonment, for maintaining a patent in force, and for providing all other services and materials related to patents. No fee will be established for maintaining a design patent in force.

"(b) By the first day of the first fiscal year beginning on or after one calendar year after enactment of this Act, fees for the processing of an application for a patent, other than for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 30 per centum of the estimated average cost to the Office of such processing. Any fee in connection with an application in a

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particular technological field may be set higher or lower than the corresponding fee charged for an application in other technological fields, to the extent that costs for which the fee is charged differ. By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for the processing of an application for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 60 per centum of the estimated average cost to the Office of such processing.

"(c) By the fifteenth fiscal year following the date of enactment of this Act, fees for maintaining patents in force will recover 30 per centum of the estimated cost to the Office, for the year in which such maintenance fees are received, of processing all applications for patents, other than for design patents, from filing through disposition by issuance or abandonment. Fees for maintaining a patent in force will be due three years and six months, seven years and six months, and eleven years and six months after the grant of the patent. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Secretary may require the payment of a surcharge as a condition of accepting within such six-month

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grace period the late payment of an applicable maintenance fee.

"(d) By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for all other services or materials related to patents will recover the estimated average cost to the Office of performing the service or furnishing the material. Any fee for providing a service or material involving a particular technological field may be set higher or lower than the fee charged for the same service or material involving other technological fields, to the extent that costs for which the fee is charged differ. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $50.

"(e) The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.

"(f) Fees will be adjusted by the Secretary to achieve the levels of recovery specified in this section; however, no

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patent application processing fee or fee for maintaining a patent in force will be adjusted more than once a year.

"(g) No fee established by the Secretary under this section will take effect prior to sixty days following notice in the Federal Register.".

SEC. 3. Section 42 of title 35, United States Code, entitled "Patents", is amended to read as follows:

"§ 42. Patent and Trademark Office funding

"(a) All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.

"(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States, the provisions of section 725e of title 31, United States Code, notwithstanding.

"(c) Revenues from fees will be available to the Secretary of Commerce to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office.

"(d) The Secretary may refund any fee paid by mistake or any amount paid in excess of that required.".

SEC. 4. Section 154 of title 35, United States Code, entitled "Patents", is amended by deleting the word "issue".

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SEC. 5. Section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113), is amended to read as follows:

"**§ 31. Fees**

"(a) The Secretary of Commerce will establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. Fees will be set and adjusted by the Secretary to recover in aggregate the full costs of all services performed and all materials furnished by the Patent and Trademark Office; however, no fee for the filing or processing of an application for the registration of a trademark or other mark or for the renewal or assignment of a trademark or other mark will be adjusted more than once a year. No fee established under this section will take effect prior to sixty days following notice in the Federal Register.

"(b) The Commissioner may waive the payment of any fee for any service or material related to trademarks or other marks in connection with an occasional request made by a department or agency of the Government, or any officer thereof. The Indian Arts and Crafts Board will not be charged any fee to register Government trademarks of genuineness and quality for Indian products or for products of particular Indian tribes and groups.".

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SEC. 6. Title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 37 the following new chapter 38:

"CHAPTER 38—THE GOVERNMENT PATENT POLICY ACT OF 1980

"Sec. 381. Title.

"SUBCHAPTER I—CONTRACT INVENTIONS

"Sec. 382. Contract inventions; reporting.
"Sec. 383. Allocation of rights—small businesses and nonprofit organizations.
"Sec. 384. Allocation of rights—other contractors.
"Sec. 385. Contractor license.
"Sec. 386. Minimum Government rights.
"Sec. 387. March-in rights.
"Sec. 388. Deviation and waiver.
"Sec. 389. Transfer of rights to contractor employees.
"Sec. 390. Regulations and standard patent rights clause.

"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"Sec. 391. Employee inventions.
"Sec. 392. Reporting of inventions.
"Sec. 393. Criteria for the allocation of rights.
"Sec. 394. Presumptions.
"Sec. 395. Review of agency determinations.
"Sec. 396. Reassignment of rights.
"Sec. 397. Incentive awards program.
"Sec. 398. Income sharing from patent licenses.
"Sec. 399. Regulations.

"SUBCHAPTER III—LICENSING OF FEDERALLY-OWNED INVENTIONS

"Sec. 400. Covered inventions.
"Sec. 401. Exclusive or partially exclusive licenses.
"Sec. 402. Minimum Government rights.
"Sec. 403. March-in rights.
"Sec. 404. Regulations.

"SUBCHAPTER IV—MISCELLANEOUS

"Sec. 405. Patent enforcement suits and right of intervention.
"Sec. 406. Background rights.
"Sec. 407. Notice, hearing, and judicial review.
"Sec. 408. Relationship to other laws.
"Sec. 409. Authority of Federal agencies.
"Sec. 410. Responsibilities of the Secretary of Commerce.
"Sec. 411. Definitions.

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"SEC. 381. This chapter will be known as the 'Government Patent Policy Act of 1980'.

"SUBCHAPTER I—CONTRACT INVENTIONS

"§ 382. Contract inventions; reporting

"(a) This title applies to 'contract inventions', which in this Act are inventions made in the course of or under Federal contracts.

"(b) Every contractor will provide the responsible agency with timely written reports on each contract invention containing:

"(1) complete technical information on the invention,

"(2) a list of each country, if any, in which the contractor elects to file a patent application on the invention, and

"(3) unless the contractor is a small business or nonprofit organization, a list of each field of use in which the contractor intends to commercialize the invention or otherwise achieve public use of the invention. Each field will be described with sufficient particularity to allow the Government to identify those fields of use not encompassed by the described field.

The Government neither will publish nor release these reports until the contractor or the Government has had a reasonable time to file patent applications or one year has

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passed since receipt of all the information required by subsection (b)(1) of this section, whichever is earlier, and may so withhold such information in other reports or records.

"(c) If the responsible agency determines that the contractor has unreasonably failed to file reports as required by subsection (b) of this section, the contractor may be deprived of any or all the rights it otherwise would have under this subchapter.

"§ 383. Allocation of rights—small businesses and nonprofit organizations

"(a) A contractor that is a small business or a nonprofit organization will acquire title to its contract invention in each country it lists under section 382(b)(2) in which it files a patent application within a reasonable time. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

"(b) The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

"§ 384. Allocation of rights—other contractors

"(a) The Government will acquire title to all patents on any contract invention whenever the contractor is not a small business or nonprofit organization.

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"(b) If such a contractor files within a reasonable time a patent application on a reported contract invention in any country it lists under section 382(b)(2), it will receive an exclusive license under the patent in each described field of use, with the exclusive right to grant sublicenses. However, its license will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

"(c) The contractor automatically will acquire by operation of law the right to receive an exclusive license, pursuant to subsection (b) of this section, ninety days after it provides the responsible agency with all of the information required to be disclosed by section 382(b), except that it will not acquire the right to receive an exclusive license in any field of use as to which the agency notifies the contractor within the ninety-day period that it has made a determination under subsection (d) of this section.

"(d) The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such a license—

"(1) would be contrary to the requirements of the agency's mission;

"(2) would impair national security; or

"(3) would violate the antitrust laws if the receipt by the contractor of such a license were deemed an acquisition of assets of another corporation.

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"(e) An agency determination under subsection (d) of this section will include written reasons for the determination. The contractor may appeal the determination to the United States Court of Claims within sixty days after the contractor has been notified of the determination. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination, specifically including authority to require that the contractor receive any exclusive license provided for by this section.

"(f) If the responsible agency determines that the national interest would not be affected adversely, the agency may grant the contractor title to any contract invention in any foreign country in which the contractor agrees to file a patent application.

"§ 385. Contractor license

"Any contractor that complies with section 382(b) automatically will receive by operation of law nonexclusive, royalty-free licenses to practice the contract invention in all countries where it does not receive title under section 383 and in all fields of use and in all countries in which it does not receive an exclusive license under section 384. These nonexclusive licenses may be revoked only to the extent necessary to allow the Government to grant exclusive licenses under subchapter III.

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"§ 386. **Minimum Government rights**

"(a) The Government will have the following minimum rights in any contract invention:

"(1) the right to require from the contractor written reports on the use of the invention,

"(2) a royalty-free worldwide right or license to practice the invention or have it practiced for the Government, and

"(3) the right to license or sublicense State, local, or foreign governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest.

"(b) Whenever the Government has rights in any invention under this title, each patent application and patent on the invention will include a statement that the invention was made with Government sponsorship or support and that the Government has rights in the patent.

"§ 387. **March-in rights**

"(a) In any field of use, the Government may wholly or partly terminate the contractor's title or exclusive rights in any patent on a contract invention; may require the contractor to grant appropriate licenses or sublicenses to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself. The Government may take such actions only—

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"(1) if the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the selected fields of use;

"(2) if necessary to protect the national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

"(4) if the contractor's rights in the invention violate the antitrust laws if the contractor's original receipt of those rights were deemed an acquisition of assets of another corporation; or

"(5) if the contractor has failed to comply with the reporting requirements of this Act.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

"(c) Whenever under this section an agency requires a contractor to grant a license or sublicense, it may specify reasonable terms, including the royalties to be charged, if any; the duration of the license or sublicense; the scope of exclusivity; and the fields of use to be covered.

"§ 388. Deviation and waiver

"(a) An agency may deviate from the allocation of patent rights in contract inventions provided for in any standard patent rights clause established under section 390 acquir-

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ing more or fewer rights in the inventions, to further the agency's mission and the public interest. It may so deviate on a class basis only in accordance with regulations issued either under section 390 or, unless prohibited by those regulations, by the agency. Case-by-case deviations must be authorized by the head of the agency or his designee, and described in the Federal Register.

"(b) The national security and antitrust march-in rights reserved by sections 387(a)(2), 387(a)(4), and 387(c) may not be waived under any circumstances.

"(c) Rights reserved by sections 384 and 387(a)(1) may be waived only:

"(1) in contracts involving cosponsored, cost-sharing, or joint-venture research or development to which the contractor makes a substantial contribution of funds, facilities, technology, or equipment; or

"(2) in contracts with a contractor whose participation is necessary for the successful accomplishment of the agency's mission but cannot be obtained under the standard patent rights clause.

"§ 389. Transfer of rights to contractor employees

"The contractor's employee-inventor may receive some or all of the contractor's rights under this subchapter with the permission of the contractor and the approval of the responsible agency. The corresponding obligations of the con-

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tractor under this subchapter then will become obligations of the employee-inventor.

"§ 390. Regulations and standard patent rights clause

"The Office of Federal Procurement Policy will direct the issuance of regulations to implement this title. The regulations will establish a standard patent right clause or clauses, to be included in each Federal contract except as provided in section 388.

"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"§ 391. Employee inventions

"This subchapter applies to 'employment inventions', which in this Act are inventions made by Federal employees.

"§ 392. Reporting of inventions

"(a) Federal employees will file timely written reports on any inventions they make. Such reports will be made to the employee's agency and will contain complete technical information concerning the invention. The Government neither will publish nor release a report until there has been a reasonable time to file patent applications or until one year has passed since the final disposition of rights under this subchapter, whichever is earlier.

"(b) If the responsible agency determines that the employee-inventor unreasonably has failed to file a report as required by subsection (a) of this section, the employee may

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be deprived of any or all of the rights he otherwise would have under this subchapter.

"§ 393. Criteria for allocation of rights

"The responsible agency will determine the rights of the Government and of Federal employee-inventors in any inventions made by employee-inventors through the use of the following criteria:

"(1) If the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, the Government will acquire all rights in the invention.

"(2) If the invention neither bears a direct relation to the duties of the employee-inventor nor was made in consequence of his employment, but was made with a contribution from Federal funds, facilities, equipment, materials, or information not generally available to the public, or from services of other Federal employees on official duty, the employee-inventor will receive all rights in the invention, except as provided in paragraph (4) of this section. However, these rights will be subject to a nonexclusive, royalty-free, worldwide license to the Government to practice the invention or have it practiced for the Government.

"(3) If the agency finds insufficient interest in an invention to justify exercising its rights under para-

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graph (1) of this section, it may permit the employee-inventor to receive any or all of those rights, subject to the Government's rights as described in paragraph (2) of this section. However, nothing in this paragraph will prevent the agency from publishing the invention or otherwise dedicating it to the public.

"(4) If the agency determines that national security might be impaired if the employee-inventor were to receive rights in an invention under paragraphs (2) or (3) of this section, the Government will acquire all rights in the invention.

"(5) The Government will claim no rights under this Act in any employee-invention not covered by paragraphs (1) or (2) of this section.

"(6) Notwithstanding paragraph (1) of this section, an agency may enter into agreements providing for appropriate allocation of rights in inventions that result from research or development to which other parties have substantially contributed.

"§ 394. Presumptions

"(a) There will be a rebuttable presumption that an employee invention falls within the criteria of section 393(1) if it was made by a Federal employee who is employed or assigned to—

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"(1) invent, improve, or perfect any art, machine, manufacture, or composition of matter;

"(2) conduct or perform research or development work;

"(3) supervise, direct, coordinate, or review federally sponsored or supported research or development work; or

"(4) act as liaison among agencies or individuals engaged in the work specified in paragraphs (1), (2), or (3) of this subsection.

"(b) There will be a rebuttable presumption that an invention falls within the criteria of section 393(2) if it was made by any other Federal employee.

"§ 395. Review of agency determinations

"Agency determinations under sections 392 and 393 will be reviewed whenever—

"(1) the agency determines not to acquire all rights in an invention, or

"(2) an aggrieved employee-inventor requests a review.

Standards and procedures for this review will be prescribed in the regulations issued under section 399.

"§ 396. Reassignment of rights

"If an agency finds on the basis of new evidence that it has acquired rights in an invention greater than those to

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which the Government was entitled under the criteria of section 393, it will grant the employee-inventor such rights as may be necessary to correct the error.

"§ 397. Incentive awards program

"(a) Agencies may monetarily reward and otherwise recognize employee-inventors as an incentive to promote employee inventions and the production and disclosure of employee inventions. For this purpose agencies may make awards under the Federal incentive awards system (5 U.S.C. ch. 45, 10 U.S.C. ch. 57, and implementing regulations), as modified by this section.

"(b) The amount of an award for an invention will be based on—

"(1) the extent to which the invention advances the state of the art;

"(2) the scope of application of the invention;

"(3) the value of the invention to the Government or the public; and

"(4) the extent to which the invention has come into public use.

"(c) Awards for an invention of up to $10,000 may be made by the head of an agency.

"(d) Awards of over $10,000 but less than $35,000 may be made by the head of an agency to—

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"(1) civilian employees, with the approval of the Office of Personnel Management;

"(2) members of the Armed Forces, with the approval of the Secretary of Defense;

"(3) members of the United States Coast Guard when not operating as a service in the Navy, with the approval of the Secretary of Transportation;

"(4) members of the Commissioned Corps of the United States Public Health Service, with the approval of the Secretary of Health and Human Services; and

"(5) members of the Commissioned Corps of the National Oceanic and Atmospheric Administration, with the approval of the Secretary of Commerce.

"(e) Awards of more than $35,000 may be made to employee-inventors by the President upon recommendation of the head of an agency.

"(f) Acceptance of a cash award under this section constitutes an agreement that any Government use of an invention for which the award is made forms no basis for further claims against the Government by the recipient, his heirs, or his assigns.

"(g) Any cash award or expense for honorary recognition of an employee-inventor will be paid from the fund or appropriation of the agency receiving the invention's primary benefit.

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"§ 398. Income sharing from patent licenses

"In addition to awards as provided in section 397, an agency may share income received from any patent license with the employee-inventor.

"§ 399. Regulations

"(a) The Secretary of Commerce shall issue regulations to implement this title.

"(b) Any determination of an appointing official under subsection 208(b) of title 18, United States Code, that relates to promotion of an employee invention by the employee-inventor will be subject to regulations prescribed by the secretary of Commerce with concurrence of the Office of Government Ethics and the Attorney General.

"SUBCHAPTER III—LICENSING OF FEDERALLY OWNED INVENTIONS

"§ 400. Covered inventions

"This subchapter applies to the licensing of all federally owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 387. However, it does not apply to licenses established by the other sections of subchapter I of this chapter.

"§ 401. Exclusive or partially exclusive licenses

"(a) An agency may grant exclusive or partially exclusive domestic licenses under federally owned patent rights not automatically licensed under section 384 only if, after

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public notice and opportunity for filing written objections, it determines that—

"(1) the desired practical application is not likely to be achieved under a nonexclusive license; and

"(2) the scope of proposed exclusivity is not greater than reasonably necessary.

"(b) An agency may grant exclusive or partially exclusive foreign licenses under federally owned patent rights after public notice and opportunity for filing written objections and after determining whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

"(c) An agency will not grant any license under this section if it determines that such a grant would violate the antitrust laws if the licensee's receipt of such a license were deemed an acquisition of assets of another corporation.

"(d) Agencies will maintain periodically updated records of determinations to grant exclusive or partially exclusive licenses. These records will be publicly available.

"**§ 402. Minimum Government rights**

"Each license granted under section 401 will contain such terms and conditions as the agency finds appropriate to protect the interests of the Government and the public, including provisions reserving to the Government:

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"(1) The right to require from the licensee written reports on the use of the invention,

"(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government, and

"(3) The right to license State, local, or foreign governments to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest.

"§ 403. March-in rights

"(a) The Government will have the right to terminate any license granted under section 401 in whole or in part, but only—

"(1) if the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in each of the fields of use affected;

"(2) if necessary to protect national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

"(4) if the licensee's rights in the invention violate the antitrust laws if the licensee's original receipt of those rights were deemed an acquisition of assets of another corporation; or

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"(5) if the licensee has failed to comply with the terms of the license.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

"§ 404. Regulations

"The Office of Federal Procurement Policy will direct the issuance of regulations specifying the terms and conditions upon which federally owned patent rights may be licensed. An agency may deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

"SUBCHAPTER IV—MISCELLANEOUS

"§ 405. Patent enforcement suits and right of intervention

"Any exclusive licensee under this chapter may enforce rights under the license by bringing suit without joining the United States as a party. However, the licensee will give prompt notice of the suit to the Attorney General and to the agency that granted the license, and all parties will serve copies of papers on the Attorney General and the responsible agency as though they were parties to the suit.

"§ 406. Background rights

"Nothing contained in this chapter will be construed to deprive the owner of any background patent or of rights under such a patent.

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"§ 407. **Notice, hearing, and judicial review**

"(a) Agency determinations under sections 382, 387(a), and 387(c), and 403 will be made after public notice and opportunity for a hearing in which the United States, any agency, or any interested person may participate, and will include written reasons for the determination.

"(b) The United States or any participant that may be adversely affected by an agency determination covered by subsection (a) of this section may appeal the determination to the United States Court of Claims within sixty days after the determination is issued. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination.

"§ 408. **Relationship to other laws**

"Nothing in this chapter creates any immunities or defenses to actions under the antitrust laws.

"§ 409. **Authority of Federal agencies**

"(a) Agencies may apply for, obtain, maintain, and protect patent rights in the United States and in foreign countries on any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest.

"(b) Agencies may license federally owned patent rights on terms and conditions consistent with subchapter III.

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"(c) Agencies may transfer patent rights to other agencies and accept them from other agencies, in whole or in part, without regard to the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471).

"(d) Agencies may withhold publication or release of information disclosing any invention long enough for patent applications to be filed.

"(e) Agencies may promote licensing of federally owned patent rights by making market surveys, acquiring technical information, or otherwise enhancing the marketability of the inventions.

"(f) Agencies may enter into contracts necessary and appropriate to accomplish the purposes of this section.

"§ 410. Responsibilities of the Secretary of Commerce

"(a) The Secretary of Commerce will—

"(1) consult with other agencies about areas of science and technology with potential for commercial development.

"(2) coordinate a program to help agencies in exercising the authority given by section 409.

"(3) evaluate inventions referred by agencies to identify those with the greatest commercial potential and to promote their public use;

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"(4) help agencies seek and maintain patents in the United States and in foreign countries by paying fees and costs and by other means;

"(5) develop and manage a Government-wide program, with appropriate private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through dissemination of information about the technology; and

"(6) publish notice of all federally-owned patent rights that are available for licensing;

"(b) There is authorized to be appropriated to the Secretary of Commerce such sums as may be necessary to enable the Secretary to carry out responsibilities under this section.

"§ 411. Definitions

"As used in this chapter—

"(1) 'Agency' means an 'executive agency' of the Federal Government, as defined by section 105 of title 5, United States Code, and the military departments defined by section 102 of title 5, United States Code. 'Responsible agency' means the agency which is party to a contract for the performance of research or development, has received patent rights from another agency, or has administrative jurisdiction over an employee-inventor.

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"(2) 'Antitrust laws' means the laws included within the definition of the term 'Antitrust laws' in section 1 of the Clayton Act (15 U.S.C. 12), as amended, and the Federal Trade Commission Act (15 U.S.C. 41 et seq.), as amended.

"(3) 'Contract' means any Federal contract, cooperative agreement, or grant that provides for performance of research or development substantially funded by the Government. It covers any assignment, substitution of parties, or subcontract of the same type under such a contract. It does not cover Federal price or purchase supports, or Federal loans or loan guarantees.

"(4) 'Contractor' means any person other than an agency that is a party to a contract.

"(5) 'Federal employee' means any civil service employee as defined in section 2105 of title 5, United States Code, and any member of the uniformed services.

"(6) 'Invention' means any invention that is or may be patentable under the laws of the United States. 'Contract invention' is defined by section 382. 'Employee invention' is defined by section 391.

"(7) 'Made' when used in relation to any invention means conceived or first actually reduced to practice.

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"(8) '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)).

"(9) 'Patent rights' means patents and patent licenses and sublicenses.

"(10) 'Practical application' means manufacture of a machine, composition, or product, or practice of a process or system, under conditions which establish that the invention is being worked and its benefits are available to the public on reasonable terms.

"(11) 'Small business' 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.

"(13) 'State' means a State or territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico. 'Local' refers to any domestic county, municipality, or other governmental entity.

"(14) 'Will', except as the context otherwise requires, has the same meaning as 'shall'.".

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SEC. 7. (a) Section 10(a) of the Act of June 29, 1935, as added by title 1 of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085) is amended by striking out the following: "Any contracts made pursuant to this authority shall contain requirements making the results of research and investigations available to the public through dedication, assignment to the Government, or such other means as the Secretary shall determine.".

(b) 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 following: "Any contract made pursuant to this section shall contain requirements making the result of such research and investigations available to the public by such means as the Secretary of Agriculture shall determine.".

(c) 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 following: "No research, demonstrations, or experiments shall be carried out, contracted for, sponsored, cosponsored, or authorized under authority of this Act, unless all information, uses, products, processes, patents, and other developments resulting from such research, demonstration, or experiments will (with such exception and limitation, if any, as the Secretary or the Secretary of Health, Education, and Welfare may find to be necessary in the public interest) be available to the general public.".

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(d) 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.

(e) Section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871; 64 Stat. 149, 154) is repealed.

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

(g) The National Aeronautics and Space Act of 1958 (72 Stat. 426) is amended—

(1) by repealing section 305 (42 U.S.C. 2457). However, subsections (c), (d), and (e) of section 305 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 before the effective date of this Act;

(2) by striking out, in section 306(a) (42 U.S.C. 2458(a), "(as defined by section 305)"; and by striking out "the Inventions and Contributions Board, established under section 305 of this Act" and inserting instead: "an Inventions and Contributions Board which shall be established by the Administrator within the Administration";

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(3) by inserting at the end of section 203(c) (42 U.S.C. 2478(c)) the following new paragraph:

"(14) to provide effective contractual provisions for reporting 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.";

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

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

(5) by striking out the following in such section: "(including patents and rights thereunder)".

(h) Section 6 of the Coal Research and Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337) is repealed.

(i) Section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920) is amended by striking out the following: "*Provided, however,* That all research contracted for, sponsored, cosponsored, or authorized under authority of this Act shall be provided for in such a manner that all information, uses, products, processes, patents, and other developments resulting from such research developed by Government expenditure will (with such exceptions and limitations, if any, as the Secretary may find to be necessary in

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the interest of national defense) be available to the general public: *And provided further,* That nothing contained herein shall be construed as to deprive the owner of any background patent relating thereto to such rights as he may have thereunder." and by inserting instead a period.

(j) Section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634) is repealed.

(k) 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.

(l) Except for paragraph (1), section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878) is repealed.

(m) 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.

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

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

(p) The Resources Conservation and Recovery Act of 1976 (90 Stat. 2795) is amended—

(1) by repealing section 8001(c)(3) (42 U.S.C. 6981(c)(3); 90 Stat. 2831); and

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(2) by striking out, in section 8004(c)(2) (42 U.S.C. 6984(c)(2)) the second sentence, "notwithstanding section 6881(c)(3) of this title,".

(q) Section 12 of the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976 (15 U.S.C. 2511; Stat.) is repealed.

(r) Paragraph (r) of section 19 of the Federal Nonnuclear Energy Research and Development Act of 1974, Public Law 93–577, as amended, Public Law 95–238, is repealed; subparagraph (g)4 of said section 19 is amended by striking "under section 9 of this Act" in the first sentence.

(s) Section 112(d)(2) of Public Law 95–39 enacted on June 3, 1977, is amended by striking "shall be governed by the provisions of section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 and".

(t) Section 408 of the Water Research and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1316) is repealed.

SEC. 8. (a) Sections 2, 4, and 5 of this Act will take effect upon enactment.

(b) Section 1 of this Act will take effect on the first day of the seventh month beginning after its enactment and will apply to patents in force as of that date or issued thereafter.

(c) Section 3 of this Act will take effect on the first day of the first fiscal year beginning on or after one calendar year after enactment. However, until section 3 takes effect, the

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Secretary may credit the Patent and Trademark Office appropriation account in the Treasury of the United States with the revenues from collected reexamination fees, which will be available to pay the costs to the Office of reexamination proceedings.

(d) Any fee in effect as of the date of enactment of this Act will remain in effect until a corresponding fee established under section 41 of title 35, United States Code, or section 1113 of title 15, United States Code, takes effect.

(e) Fees for maintaining a patent in force will not be applicable to patents applied for prior to the date of enactment of this Act.

(f) Sections 6 and 7 of this Act will take effect on the first day of the seventh month beginning after its enactment. Implementing regulations may be issued earlier.

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96TH CONGRESS
2D SESSION

H. R. 6933

[Report No. 96–1307, Part I]

Entitled: "To amend the patent and trademark laws".

IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 1980

Mr. KASTENMEIER (for himself, Mr. RODINO, and Mr. RAILSBACK) introduced the following bill; which was referred to the Committee on the Judiciary

SEPTEMBER 9, 1980

Reported with amendments, referred to the Committee on Government Operations for a period ending not later than September 23, 1980, for consideration of such provisions of the bill and amendment as fall within the jurisdiction of that committee under clause 1(i)(2), rule X, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on March 26, 1980]

A BILL

Entitled: "To amend the patent and trademark laws".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 29 the following new chapter 30:

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"CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

"Sec. 301. Citation of prior art.
"Sec. 302. Request for reexamination.
"Sec. 303. Determination of issue by Commissioner.
"Sec. 304. Reexamination order by Commissioner.
"Sec. 305. Conduct of reexamination proceedings.
"Sec. 306. Appeal.
"Sec. 307. Certificate of patentability, unpatentability, and claim cancellation.

"§ 301. Citation of prior art

"Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

"§ 302. Request for reexamination

"Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for

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which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

"§ 303. Determination of issue by Commissioner

"(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and at any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

"(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

"(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may

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refund a portion of the reexamination fee required under section 302 of this title.

"§ 304. Reexamination order by Commissioner

"If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

"§ 305. Conduct of reexamination proceedings

"After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established

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for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

"§ 306. Appeal

"The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

"§ 307. Certificate of patentability, unpatentability, and claim cancellation

"(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish

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a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

"(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.".

SEC. 2. Section 41 of title 35, United States Code, is amended to read as follows:

"§ 41. Patent fees

"(a) The Commissioner of Patents will establish fees for the processing of an application for a patent, from filing through disposition by issuance or abandonment, for maintaining a patent in force, and for providing all other services and materials related to patents. No fee will be established for maintaining a design patent in force.

"(b) By the first day of the first fiscal year beginning on or after one calendar year after enactment of this Act, fees

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for the actual processing of an application for a patent, other than for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 25 per centum of the estimated average cost to the Office of such processing. By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for the processing of an application for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 50 per centum of the estimated average cost to the Office of such processing.

"(c) By the fifteenth fiscal year following the date of enactment of this Act, fees for maintaining patents in force will recover 25 per centum of the estimated cost to the Office, for the year in which such maintenance fees are received, of the actual processing all applications for patents, other than for design patents, from filing through disposition by issuance or abandonment. Fees for maintaining a patent in force will be due three years and six months, seven years and six months, and eleven years and six months after the grant of the patent. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such six-month

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grace period the late payment of an applicable maintenance fee.

"(d) By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for all other services or materials related to patents will recover the estimated average cost to the Office of performing the service or furnishing the material. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $50.

"(e) The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.

"(f) Fees will be adjusted by the Commissioner to achieve the levels of recovery specified in this section; however, no patent application processing fee or fee for maintaining a patent in force will be adjusted more than once every three years.

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"(g) No fee established by the Commissioner under this section will take effect prior to sixty days following notice in the Federal Register.".

SEC. 3. Section 42 of title 35, United States Code, is amended to read as follows:

"**§ 42. Patent and Trademark Office funding**

"(a) All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.

"(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States, the provisions of section 725e of title 31, United States Code, notwithstanding.

"(c) Revenues from fees will be available to the Commissioner of Patents to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office.

"(d) The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.".

SEC. 4. Section 154 of title 35, United States Code, is amended by deleting the word "issue".

SEC. 5. Section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113), is amended to read as follows:

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"§ 31. Fees

"(a) The Commissioner of Patents will establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. Fees will be set and adjusted by the Commissioner to recover in aggregate 50 per centum of the estimated average cost to the Office of such processing. Fees for all other services or materials related to trademarks and other marks will recover the estimated average cost to the Office of performing the service or furnishing the material. However, no fee for the filing or processing of an application for the registration of a trademark or other mark or for the renewal or assignment of a trademark or other mark will be adjusted more than once every 3 years. No fee established under this section will take effect prior to sixty days following notice in the Federal Register.

"(b) The Commissioner may waive the payment of any fee for any service or material related to trademarks or other marks in connection with an occasional request made by a department or agency of the Government, or any officer thereof. The Indian Arts and Crafts Board will not be charged any fee to register Government trademarks of genuineness and quality for Indian products or for products of particular Indian tribes and groups.".

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SEC. 6. Title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 37 the following new chapter 38:

"CHAPTER 38—THE GOVERNMENT PATENT POLICY ACT OF 1980

"Sec. 381. Title.

"SUBCHAPTER I—CONTRACT INVENTIONS

"Sec. 382. Contract inventions; reporting.
"Sec. 383. Allocation of rights—small businesses and nonprofit organizations.
"Sec. 384. Allocation of rights—other contractors.
"Sec. 385. Contractor license.
"Sec. 386. Minimum Government rights.
"Sec. 387. March-in rights.
"Sec. 388. Deviation and waiver.
"Sec. 389. Transfer of rights to contractor employees.
"Sec. 390. Regulations and standard patent rights clause.

"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"Sec. 391. Employee inventions.
"Sec. 392. Reporting of inventions.
"Sec. 393. Criteria for the allocation of rights.
"Sec. 394. Presumptions.
"Sec. 395. Review of agency determinations.
"Sec. 396. Reassignment of rights.
"Sec. 397. Incentive awards program.
"Sec. 398. Income sharing from patent licenses.
"Sec. 399. Regulations.

"SUBCHAPTER III—LICENSING OF FEDERALLY-OWNED INVENTIONS

"Sec. 400. Covered inventions.
"Sec. 401. Exclusive or partially exclusive licenses.
"Sec. 402. Minimum Government rights.
"Sec. 403. March-in rights.
"Sec. 404. Regulations.

"SUBCHAPTER IV—MISCELLANEOUS

"Sec. 405. Patent enforcement suits and right of intervention.
"Sec. 406. Background rights.
"Sec. 407. Notice, hearing, and judicial review.
"Sec. 408. Relationship to other laws.
"Sec. 409. Authority of Federal agencies.
"Sec. 410. Responsibilities of the Secretary of Commerce.
"Sec. 411. Definitions.

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"SEC. 381. This chapter will be known as the 'Government Patent Policy Act of 1980'.

"SUBCHAPTER I—CONTRACT INVENTIONS

"§ 382. Contract inventions; reporting

"(a) This title applies to 'contract inventions', which in this Act are inventions made in the course of or under Federal contracts.

"(b) Every contractor will provide the responsible agency with timely written reports on each contract invention containing:

"(1) a comprehensive technical disclosure of the invention, and

"(2) a list of each country, if any, in which the contractor elects to file a patent application on the invention;

The Government neither will publish nor release these reports until the contractor or the Government has had a reasonable time to file patent applications or one year has passed since receipt of the disclosure required by subsection (b)(1) of this section, whichever is earlier, the Government also will so withhold such disclosure from other reports or records.

"(c) If the responsible agency determines that the contractor has unreasonably failed to file reports as required by

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subsection (b) of this section as to a contract invention, the contractor may be deprived of any or all the rights it otherwise would have under this subchapter pertaining to such contract invention.

"§ 383. Allocation of rights—small businesses and nonprofit organizations

"(a) A contractor that is a small business or a nonprofit organization will acquire title to its contract invention in each country it lists under section 382(b)(2) in which it files a patent application within a reasonable time. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

"(b) The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

"§ 384. Allocation of rights—other contractors

"(a) A contractor that is not a small business or a nonprofit organization shall provide to the responsible agency, within four and one-half years from the filing under section 382(b) of a report disclosing a contract invention, a list or lists of each field of use in which the contractor intends to commercialize the invention or otherwise achieve public use of the invention; but no such list shall be required for contract inventions on which the contractor did not elect to file

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any patent application. During such four and one-half year period the contractor shall hold temporary title to the contract invention, subject to the rights of the Government provided elsewhere in this Act. Each field will be described with sufficient particularity to allow the Government to identify those fields of use not encompassed by the described field. Upon the filing of such a completed list, or at the end of the four and one-half year period, whichever is earlier, the Government will acquire from the contractor title to all United States patents on such inventions. Neither the contractor nor any sublicensee may market or use commercially any product or process embodying the patented invention, except under the nonexclusive license granted pursuant to section 385, unless the contractor has described a field of use which embraces the product or process and has reported the field of use to the responsible agency pursuant to this section; but failure to file a field of use list prior to marketing or prior to using commercially any product or process embodying an invention shall be excused if such failure resulted from inadvertance, mistake, or excusable neglect.

"(b) If such contractor has filed a United States patent application within a reasonable time after it has disclosed an invention under section 382(b)(1), it will receive an exclusive license in each described field of use, with the exclusive right to sublicense, under each United States patent or patent

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application transferred to the Government under subsection (a) of this section 384. However, its license will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

"(c) The contractor automatically will acquire by operation of law the right to receive an exclusive license, pursuant to subsection (b) of this section in each described field of use, ninety days after it provides the responsible agency with a description of such fields of use pursuant to subsection (a), except that it will not acquire the right to receive an exclusive license in any field of use as to which the agency notifies the contractor within the ninety-day period that it has made a determination under subsection (d) of this section.

"(d) The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such a license—

"(1) would impair national security; or

"(2) would create or maintain a situation inconsistent with the antitrust laws.

"(e) An agency determination under subsection (d) of this section will include written reasons for the determination. The contractor may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the contractor has been notified of the determination. That court will have exclusive jurisdiction to deter-

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mine the matter de novo and to affirm, reverse, or modify the agency determination, specifically including authority to require that the contractor receive any exclusive license provided for by this section.

"(f) A contractor that is not a small business or a nonprofit organization will acquire title to its contract invention in each foreign country it lists under section 382(b)(2) in which it files a patent application within a reasonable time unless the agency determines that the national interest would be affected adversely. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387. The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

"§ 385. Contractor license

"Any contractor that complies with section 382(b) automatically will receive by operation of law nonexclusive, royalty-free licenses to practice the contract invention in all countries where it does not receive title under section 383 or 384 and in all fields of use in the United States in which it does not hold an exclusive license under section 384. These nonexclusive licenses may be revoked only to the extent nec-

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essary to allow the Government to grant exclusive licenses under subchapter III.

"§ 386. Minimum Government rights

"(a) The Government will have the following minimum rights in any contract invention:

"(1) the right to require from the contractor written reports on the use of the invention, if patented,

"(2) a royalty-free worldwide right or license to practice the invention or have it practiced for the Government, and

"(3) the right to license or sublicense State and local governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest.

"(b) Whenever the Government has rights in any invention under this title, each United States patent application and patent on the invention will include a statement that the invention was made with Government sponsorship or support and that the Government has rights in the patent.

"§ 387. March-in rights

"(a) In any field of use, the Government may wholly or partly terminate the contractor's title or exclusive rights in any patent on a contract invention; may require the contractor to grant appropriate licenses or sublicenses to responsible

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applicants; or, if necessary, may grant such licenses or sublicenses itself. The Government may take such actions only—

"(1) if the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the selected fields of use;

"(2) if necessary to protect the national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

"(4) if continuation of the contractor's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

"(5) if the contractor has failed to comply with the reporting requirements of this Act with respect to such invention.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

"(c) Whenever under this section an agency requires a contractor to grant a license or sublicense, it may specify reasonable terms, including the royalties to be charged, if any; the duration of the license or sublicense; the scope of exclusivity; and the fields of use to be covered.

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"§ 388. ***Deviation and waiver***

"(a) An agency may deviate from the allocation of patent rights in contract inventions provided for in any standard patent rights clause established under section 390 acquiring more or fewer rights in the inventions. to further the agency's mission and the public interest. It may so deviate on a class basis only in accordance with regulations issued either under section 390 or, unless prohibited by those regulations, by the agency. Case-by-case deviations must be authorized by the head of the agency or his designee, and described in the Federal Register.

"(b) The national security and antitrust march-in rights reserved by sections 387(a)(2), 387(a)(4), and 387(c) may not be waived under any circumstances.

"(c) Rights reserved by sections 384 and 387(a)(1) may be waived only:

"(1) in contracts involving cosponsored, cost-sharing, or joint-venture research or development to which the contractor makes a substantial contribution of funds, facilities, technology, or equipment; or

"(2) in contracts with a contractor whose participation is necessary for the successful accomplishment of the agency's mission but cannot be obtained under the standard patent rights clause.

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"§ 389. Transfer of rights to contractor employees

"The contractor's employee-inventor may receive some or all of the contractor's rights under this subchapter with the permission of the contractor and the approval of the responsible agency. The corresponding obligations of the contractor under this subchapter then will become obligations of the employee-inventor.

"§ 390. Regulations and standard patent rights clause

"(a) The Office of Federal Procurement Policy will direct the issuance of regulations to implement this title. The regulations will establish a standard patent right clause or clauses, to be included in each Federal contract except as provided in section 388.

"(b) Such regulations shall provide payment to the Government for Federal funding of research and development activities through the sharing of royalties and/or revenues with the contractor. Such regulations shall provide, to the extent appropriate, a standard contractual clause to be included in all Federal research and development contracts.

"(c) Such regulations may allow the agency to waive all or part of the payment set forth in subsection (a) of this section at the time of contracting or at the request of the contractor where the agency determines that—

"(1) the probable administrative costs are likely to be greater than the expected amount of payment; or

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"(2) the Federal Government's contribution to the technology as licensed or utilized is insubstantial compared with private investment made or to be made in technology; or

"(3) the contractor is a small business, educational institution, or nonprofit organization; or

"(4) the total Government funding of the technology with the contractor is less than $1,000,000; or

"(5) the payment would place the contractor at a competitive disadvantage or would stifle commercial utilization of the technology; or

"(6) it is otherwise in the best interests of the Government and the general public.

"(d) Such regulations shall be promulgated within twelve months of enactment of this section. Until they become effective, each agency shall obtain payment on behalf of the Federal Government for its research and development activities on a contract-by-contract basis in a manner consistent with the provisions of this section.

"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"§ 391. Employee inventions

"This subchapter applies to 'employment inventions', which in this Act are inventions made by Federal employees.

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"§ 392. Reporting of inventions

"(a) Federal employees will file timely written reports on any inventions they make. Such reports will be made to the employee's agency and will contain complete technical information concerning the invention. The Government neither will publish nor release a report until there has been a reasonable time to file patent applications or until one year has passed since the final disposition of rights under this subchapter, whichever is earlier.

"(b) If the responsible agency determines that the employee-inventor unreasonably has failed to file a report as required by subsection (a) of this section, the employee may be deprived of any or all of the rights he otherwise would have under this subchapter.

"§ 393. Criteria for allocation of rights

"The responsible agency will determine the rights of the Government and of Federal employee-inventors in any inventions made by employee-inventors through the use of the following criteria:

"(1) If the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, the Government will acquire all rights in the invention.

"(2) If the invention neither bears a direct relation to the duties of the employee-inventor nor was made in consequence of his employment, but was made

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with a contribution from Federal funds, facilities, equipment, materials, or information not generally available to the public, or from services of other Federal employees on official duty, the employee-inventor will receive all rights in the invention, except as provided in paragraph (4) of this section. However, these rights will be subject to a nonexclusive, royalty-free, worldwide license to the Government to practice the invention or have it practiced for the Government.

"(3) If the agency finds insufficient interest in an invention to justify exercising its rights under paragraph (1) of this section, it may permit the employee-inventor to receive any or all of those rights, subject to the Government's rights as described in paragraph (2) of this section. However, nothing in this paragraph will prevent the agency from publishing the invention or otherwise dedicating it to the public.

"(4) If the agency determines that national security might be impaired if the employee-inventor were to receive rights in an invention under paragraphs (2) or (3) of this section, the Government will acquire all rights in the invention.

"(5) The Government will claim no rights under this Act in any employee-invention not covered by paragraphs (1) or (2) of this section.

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"(6) Notwithstanding paragraph (1) of this section, an agency may enter into agreements providing for appropriate allocation of rights in inventions that result from research or development to which other parties have substantially contributed.

"§ 394. Presumptions

"(a) There will be a rebuttable presumption that an employee invention falls within the criteria of section 393(1) if it was made by a Federal employee who is employed or assigned to—

"(1) invent, improve, or perfect any art, machine, manufacture, or composition of matter;

"(2) conduct or perform research or development work;

"(3) supervise, direct, coordinate, or review federally sponsored or supported research or development work; or

"(4) act as liaison among agencies or individuals engaged in the work specified in paragraphs (1), (2), or (3) of this subsection.

"(b) There will be a rebuttable presumption that an invention falls within the criteria of section 393(2) if it was made by any other Federal employee.

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"§ 395. Review of agency determinations

"Agency determinations under sections 392 and 393 will be reviewed whenever—

"(1) the agency determines not to acquire all rights in an invention, or

"(2) an aggrieved employee-inventor requests a review.

Standards and procedures for this review will be prescribed in the regulations issued under section 399.

"§ 396. Reassignment of rights

"If an agency finds on the basis of new evidence that it has acquired rights in an invention greater than those to which the Government was entitled under the criteria of section 393, it will grant the employee-inventor such rights as may be necessary to correct the error.

"§ 397. Incentive awards program

"(a) Agencies may monetarily reward and otherwise recognize employee-inventors as an incentive to promote employee inventions and the production and disclosure of employee inventions. For this purpose agencies may make awards under the Federal incentive awards system (5 U.S.C. ch. 45, 10 U.S.C. ch. 57, and implementing regulations), as modified by this section.

"(b) The amount of an award for an invention will be based on—

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"(1) the extent to which the invention advances the state of the art;

"(2) the scope of application of the invention;

"(3) the value of the invention to the Government or the public; and

"(4) the extent to which the invention has come into public use.

"(c) Awards for an invention of up to $10,000 may be made by the head of an agency.

"(d) Awards of over $10,000 but less than $35,000 may be made by the head of an agency to—

"(1) civilian employees, with the approval of the Office of Personnel Management;

"(2) members of the Armed Forces, with the approval of the Secretary of Defense;

"(3) members of the United States Coast Guard when not operating as a service in the Navy, with the approval of the Secretary of Transportation;

"(4) members of the Commissioned Corps of the United States Public Health Service, with the approval of the Secretary of Health and Human Services; and

"(5) members of the Commissioned Corps of the National Oceanic and Atmospheric Administration, with the approval of the Secretary of Commerce.

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"(e) Awards of more than $35,000 may be made to employee-inventors by the President upon recommendation of the head of an agency.

"(f) Acceptance of a cash award under this section constitutes an agreement that any Government use of an invention for which the award is made forms no basis for further claims against the Government by the recipient, his heirs, or his assigns.

"(g) Any cash award or expense for honorary recognition of an employee-inventor will be paid from the fund or appropriation of the agency receiving the invention's primary benefit.

"§ 398. Income sharing from patent licenses

"In addition to awards as provided in section 397, an agency may share income received from any patent license with the employee-inventor.

"§ 399. Regulations

"(a) The Commissioner of Patents shall issue regulations to implement this title.

"(b) Any determination of an appointing official under subsection 208(b) of title 18, United States Code, that relates to promotion of an employee invention by the employee-inventor will be subject to regulations prescribed by the Secretary of Commerce with concurrence of the Office of Government Ethics and the Attorney General.

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"SUBCHAPTER III—LICENSING OF FEDERALLY OWNED INVENTIONS

"§ 400. Covered inventions

"This subchapter applies to the licensing of all federally owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 387. However, it does not apply to licenses established by the other sections of subchapter I of this chapter.

"§ 401. Exclusive or partially exclusive licenses

"(a) An agency may grant exclusive or partially exclusive domestic licenses under federally owned patent rights not automatically licensed under section 384 only if, after public notice and opportunity for filing written objections, it determines that—

"(1) the desired practical application is not likely to be achieved under a nonexclusive license; and

"(2) the scope of proposed exclusivity is not greater than reasonably necessary.

"(b) An agency may grant exclusive or partially exclusive foreign licenses under federally owned patent rights after public notice and opportunity for filing written objections and after determining whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

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"(c) An agency will not grant a license under this section if it determines that such a grant would create or maintain a situation inconsistent with the antitrust laws.

"(d) Agencies will maintain periodically updated records of determinations to grant exclusive or partially exclusive licenses. These records will be publicly available.

"§ 402. Minimum Government rights

"Each license granted under section 401 will contain such terms and conditions as the agency finds appropriate to protect the interests of the Government and the public, including provisions reserving to the Government:

"(1) The right to require from the licensee written reports on the use of the invention,

"(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government, and

"(3) The right to license State and local governments to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest.

"§ 403. March-in rights

"(a) The Government will have the right to terminate any license granted under section 401 in whole or in part, but only—

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"(1) if the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in each of the fields of use affected;

"(2) if necessary to protect national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

"(4) if the continuation of the licensee's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

"(5) if the licensee has failed to comply with the terms of the license.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

"§ 404. Regulations

"The Office of Federal Procurement Policy will direct the issuance of regulations specifying the terms and conditions upon which federally owned patent rights may be licensed. An agency may deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

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"SUBCHAPTER IV—MISCELLANEOUS

"§ 405. Patent enforcement suits and right of intervention

"(a) Any exclusive licensee under this chapter may enforce its exclusive rights under the licensed patent by bringing suit without joining the United States or any other exclusive licensee as a party. However, the licensee will give prompt notice of the suit, or, of any suit filed against it respecting the patent, to the Attorney General and the agency that granted the license, and all parties will serve copies of papers on the Attorney General and the responsible agency as though they were parties to the suit.

"(b) When the responsible agency is informed of any suit filed by an exclusive licensee, by the Government, or by any other person respecting a patent subject to the provisions of this chapter, it promptly will give notice to all its licensees under the patent. Any exclusive licensee will be entitled to intervene as a party in such a suit in which the validity or scope of the license patent is, or is likely to be, placed in issue.

"§ 406. Background rights

"Nothing contained in this chapter will be construed to deprive the owner of any background patent or of rights under such a patent.

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"§ 407. Notice, hearing, and judicial review

"(a) Agency determinations under sections 382, 387(a), and 387(c), and 403 will be made after public notice and opportunity for a hearing in which the United States, any agency, or any interested person may participate, and will include written reasons for the determination.

"(b) The United States or any participant that may be adversely affected by an agency determination covered by subsection (a) of this section may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the determination is issued. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination.

"§ 408. Relationship to other laws

"Nothing in this chapter creates any immunities or defenses to actions under the antitrust laws.

"§ 409. Authority of Federal agencies

"(a) Agencies may apply for, obtain, maintain, and protect patent rights in the United States and in foreign countries on any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest.

"(b) Agencies may license federally owned patent rights on terms and conditions consistent with subchapter III.

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"(c) Agencies may transfer patent rights to other agencies and accept them from other agencies, in whole or in part, without regard to the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471).

"(d) Agencies may withhold publication or release of information disclosing any invention long enough for patent applications to be filed.

"(e) Agencies may promote licensing of federally owned patent rights by making market surveys, acquiring technical information, or otherwise enhancing the marketability of the inventions.

"(f) Agencies may enter into contracts necessary and appropriate to accomplish the purposes of this section.

"§410. Responsibilities of the Secretary of Commerce

"(a) The Commissioner of Patents will—

"(1) consult with other agencies about areas of science and technology with potential for commercial development.

"(2) coordinate a program to help agencies in exercising the authority given by section 409.

"(3) evaluate inventions referred by agencies to identify those with the greatest commercial potential and to promote their public use;

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"(4) help agencies seek and maintain patents in the United States and in foreign countries by paying fees and costs and by other means;

"(5) develop and manage a Government-wide program, with appropriate private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through dissemination of information about the technology;

"(6) publish notice of all federally-owned patent rights that are available for licensing; and

"(7) seven years after the date of enactment of this Act, submit to the President and Congress a report describing the operation of this chapter and containing recommendations, if any, for further amendments to promote industrial innovation in the United States.

"(b) There is authorized to be appropriated to the Commissioner of Patents such sums as may be necessary to enable the Commissioner to carry out responsibilities under this section.

"§ 411. Definitions

"As used in this chapter—

"(1) 'Agency' means an 'executive agency' of the Federal Government, as defined by section 105 of title 5, United States Code, and the military departments defined by section 102 of title 5, United States Code.

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'Responsible agency' means the agency which is party to a contract for the performance of research or development, has received patent rights from another agency, or has administrative jurisdiction over an employee-inventor. The Tennessee Valley Authority shall not be considered an 'agency' for the purposes of this chapter; and this chapter shall not apply to its patent rights, contracts, and employees.

"(2) 'Antitrust laws' means the laws included within the definition of the term 'Antitrust laws' in section 1 of the Clayton Act (15 U.S.C. 12), as amended.

"(3) 'Contract' means any Federal contract, cooperative agreement, or grant that provides for performance of research or development substantially funded by the Government. It covers any assignment, substitution of parties, or subcontract of the same type under such a contract. It does not cover Federal price or purchase supports, or Federal loans or loan guarantees.

"(4) 'Contractor' means any person other than an agency that is a party to a contract.

"(5) 'Federal employee' means any civil service employee as defined in section 2105 of title 5, United States Code, and any member of the uniformed services.

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"(6) 'Invention' means any invention that is or may be patentable under the laws of the United States. 'Contract invention' is defined by section 382. 'Employee invention' is defined by section 391.

"(7) 'Made' when used in relation to any invention means conceived or first actually reduced to practice.

"(8) '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.

"(9) 'Patent rights' means patents and patent licenses and sublicenses.

"(10) 'Practical application' means manufacture of a machine, composition, or product, or practice of a process or system, under conditions which establish that the invention is being worked and its benefits are available to the public on reasonable terms.

"(11) 'Small business' means a small business concern, as defined in section 2 of Public Law 85–536

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(15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

"(12) 'State' means a State or territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico. 'Local' refers to any domestic county, municipality, or other governmental entity.

"(13) 'Will', except as the context otherwise requires, has the same meaning as 'shall'.".

SEC. 7. (a) Section 10(a) of the Act of June 29, 1935, as added by title 1 of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085) is amended by striking out the following: "Any contracts made pursuant to this authority shall contain requirements making the results of research and investigations available to the public through dedication, assignment to the Government, or such other means as the Secretary shall determine.".

(b) Section 205(a) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1624(a); 60 Stat. 1090) is amended by striking out the following: "Any contract made pursuant to this section shall contain requirements making the result of such research and investigations available to the public by such means as the Secretary of Agriculture shall determine.".

(c) Section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742) is

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amended by striking out the following: "No research, demonstrations, or experiments shall be carried out, contracted for, sponsored, cosponsored, or authorized under authority of this Act, unless all information, uses, products, processes, patents, and other developments resulting from such research, demonstrations, or experiments will (with such exception and limitation, if any, as the Secretary of the Interior or the Secretary of Health, Education, and Welfare in coordination with the Secretary may find to be necessary in the public interest) be available to the general public.".

(d) 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.

(e) Section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871; 64 Stat. 149, 154) is repealed.

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

(g) The National Aeronautics and Space Act of 1958 (72 Stat. 426) is amended—

(1) by repealing section 305 (42 U.S.C. 2457). However, subsections (c), (d), and (e) of section 305 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

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or requested to be filed by the Commissioner of Patents and Trademarks before the effective date of this Act;

(2) by striking out, in section 306(a) (42 U.S.C. 2458(a)), "(as defined by section 305)"; and by striking out "the Inventions and Contributions Board, established under section 305 of this Act" and inserting instead: "an Inventions and Contributions Board which shall be established by the Administrator within the Administration";

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

"(14) to provide effective contractual provisions for reporting 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.";

(4) by inserting at the end of section 203 (42 U.S.C. 2473) the following new subsection:

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

(5) by striking out the following in such section 203(c)(3): "(including patents and rights thereunder)".

(h) Section 6 of the Act entitled "An Act to encourage and stimulate the production and conservation of coal in the

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United States through research and development by authorizing the Secretary of the Interior to contract for coal research, and for other purposes", approved July 7, 1960 (30 U.S.C. 666; 74 Stat. 337), is repealed.

(i) Section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920) is amended by striking out the following: "Provided, however, That all research contracted for, sponsored, cosponsored, or authorized under authority of this Act shall be provided for in such a manner that all information, uses, products, processes, patents, and other developments resulting from such research developed by Government expenditure will (with such exceptions and limitations, if any, as the Secretary may find to be necessary in the interest of national defense) be available to the general public: And provided further, That nothing contained herein shall be construed as to deprive the owner of any background patent relating thereto to such rights as he may have thereunder." and by inserting instead a period.

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

(k) 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.

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(l) Except for subsection (1), section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878) is repealed.

(m) 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.

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

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

(p) The Resources Conservation and Recovery Act of 1976 (90 Stat. 2795) is amended—

(1) by repealing section 8001(c)(3) (42 U.S.C. 6981(c)(3); 90 Stat. 2831); and

(2) by striking out, in section 8004(c)(2) (42 U.S.C. 6984(c)(2)) the second sentence, "notwithstanding section 8001(c)(3),".

(q) Section 12 of the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976 (15 U.S.C. 2511; 90 Stat. 1269) is repealed.

(r) Paragraph (r) of section 19 (as added by Public Law 95–238) of the Federal Nonnuclear Energy Research and Development Act of 1974, Public Law 93–577, as amended, Public Law 95–238, is repealed; subparagraph

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(g)4 of said section 19 is amended by striking "under section 9 of this Act" in the first sentence.

(s) Section 112(d)(2) of Public Law 95–39, enacted on June 3, 1977, is amended by striking "shall be governed by the provisions of section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 and".

(t) Section 408 of the Water Research and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1316) is repealed.

SEC. 8. (a) Sections 2, 4, and 5 of this Act will take effect upon enactment.

(b) Section 1 of this Act will take effect on the first day of the seventh month beginning after its enactment and will apply to patents in force as of that date or issued thereafter.

(c) Section 3 of this Act will take effect on the first day of the first fiscal year beginning on or after one calendar year after enactment. However, until section 3 takes effect, the Commissioner may credit the Patent and Trademark Office appropriation account in the Treasury of the United States with the revenues from collected reexamination fees, which will be available to pay the costs to the Office of reexamination proceedings.

(d) Any fee in effect as of the date of enactment of this Act will remain in effect until a corresponding fee established under section 41 of title 35, United States Code, or section 1113 of title 15, United States Code, takes effect.

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(e) Fees for maintaining a patent in force will not be applicable to patents applied for prior to the date of enactment of this Act.

(f) Sections 6 and 7 of this Act will take effect on the first day of the seventh month beginning after its enactment. Implementing regulations may be issued earlier.

SEC. 9. On or before July 1, 1981, the Comptroller General of the United States shall submit to the Congress and the President a report describing the functioning of the Patent and Trademark Office, the Copyright Office, and the Copyright Royalty Tribunal. Such report shall analyze the efficiency of each of these agencies in achieving its statutory mission and make recommendations for change including recommendations on the desirability of merging the Copyright Office and the Copyright Royalty Tribunal with the Patent and Trademark Office.

SEC. 10. (a) The Commissioner of Patents and Trademarks shall report to Congress, within six months of the effective date of this Act, a plan to identify, and if necessary develop or have developed, computerized data and retrieval systems equivalent to the latest state of the art which can be applied to all aspects of the operation of the Patent and Trademark Office, and particularly to the patent search file, the patent classification system, and the trademark search file. The report shall specify the cost of implementing the

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plan, how rapidly the plan can be implemented by the Patent and Trademark Office, without regard to funding which is or which may be available for this purpose in the future.

(b) Until such computer technology is fully implemented within the Patent and Trademark Office, the Commissioner shall report to Congress every six months on the progress being made in improving upon and implementing a program of applying the most modern computer technology, to operate the Patent and Trademark Office.

SEC. 11. (a) Title 35 of the United States Code is amended as follows:

(1) section 1 is amended to read as follows:

"§ 1. Establishment

"The Patent and Trademark Office, referred to in this chapter as the 'Office', shall be an independent agency, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.";

(2) section 3(a) is amended by striking out the last sentence and inserting in lieu thereof the following: "The Commissioner shall be the Chief Officer of the Office and shall be a person knowledgeable in patent and trademark matters. The Commissioner shall be appointed for a fixed term of six years and shall be

removable from office by the President for good cause. The Commissioner shall appoint all other officers and employees of the Office.";

(3) section 3(b) is repealed;

(4) section 3(c) is amended by striking out "Secretary of Commerce" and inserting in lieu thereof "Commissioner" and such section is redesignated as section 3(b);

(5) in section 6, strike out ", under the direction of the Secretary of Commerce," and ", subject to the approval of the Secretary of Commerce," each time they appear therein;

(6) in section 7, strike out "Secretary of Commerce" and insert in lieu thereof "Commissioner";

(7) in section 31, strike out ", subject to the approval of the Secretary of Commerce,";

(8) in the last sentence of the third paragraph of section 181, strike out "a right to appeal to the Secretary of Commerce" and insert in lieu thereof "a right to appeal from the order under rules prescribed by the Commissioner"; and

(9) in section 188, strike out "Secretary of Commerce" and insert in lieu thereof "Commissioner of Patents and Trademarks".

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(b) Section 12(e) of the Act of February 14, 1903 (15 U.S.C. 1511(e)), is repealed.

SEC. 12. (a) Section 101 of title 17 of the United States Code is amended to add at the end thereof the following new language:

"A 'computer program' is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.".

(b) Section 117 of title 17 of the United States Code is amended to read as follows:

"§ 117. Limitations on exclusive rights: Computer programs

"Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

"(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

"(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

"Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise trans-

ferred, along with the copy from which such copies were pre-pared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.".

Amend the title so as to read: "A bill to amend the patent and trademark laws.".

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Union Calendar No. 836

96TH CONGRESS
2D SESSION

H. R. 6933

[Report No. 96–1307, Parts I and II]

Entitled: "To amend the patent and trademark laws".

IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 1980

Mr. KASTENMEIER (for himself, Mr. RODINO, and Mr. RAILSBACK) introduced the following bill; which was referred to the Committee on the Judiciary

SEPTEMBER 9, 1980

Reported with amendments, referred to the Committee on Government Operations for a period ending not later than September 23, 1980, for consideration of such provisions of the bill and amendment as fall within the jurisdiction of that committee under clause 1(i)(2), rule X, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

SEPTEMBER 23, 1980

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through in italic and insert the part printed in boldface roman]

[For text of introduced bill, see copy of bill as introduced on March 26, 1980]

A BILL

Entitled: "To amend the patent and trademark laws".

LIS-3c

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Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 35 of the United State Code, entitled "Patents", is amended by adding after chapter 29 the following new chapter 30:

"CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

"Sec. 301. Citation of prior art.
"Sec. 302. Request for reexamination.
"Sec. 303. Determination of issue by Commissioner.
"Sec. 304. Reexamination order by Commissioner.
"Sec. 305. Conduct of reexamination proceedings.
"Sec. 306. Appeal.
"Sec. 307. Certificate of patentability, unpatentability, and claim cancellation.

"§ 301. Citation of prior art

"Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

"§ 302. Request for reexamination

"Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this

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title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

"§ 303. Determination of issue by Commissioner

"(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and at any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

"(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

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"(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

"§ 304. Reexamination order by Commissioner

"If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

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"§ 305. Conduct of reexamination proceedings

"After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

"§ 306. Appeal

"The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

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"§ 307. Certificate of patentability, unpatentability, and claim cancellation

"(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

"(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.".

SEC. 2. Section 41 of title 35, United States Code, is amended to read as follows:

"§ 41. Patent fees

"(a) The Commissioner of Patents will establish fees for the processing of an application for a patent, from filing through disposition by issuance or abandonment, for maintaining a patent in force, and for providing all other services

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and materials related to patents. No fee will be established for maintaining a design patent in force.

"(b) By the first day of the first fiscal year beginning on or after one calendar year after enactment of this Act, fees for the actual processing of an application for a patent, other than for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 25 per centum of the estimated average cost to the Office of such processing. By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for the processing of an application for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 50 per centum of the estimated average cost to the Office of such processing.

"(c) By the fifteenth fiscal year following the date of enactment of this Act, fees for maintaining patents in force will recover 25 per centum of the estimated cost to the Office, for the year in which such maintenance fees are received, of the actual processing all applications for patents, other than for design patents, from filing through disposition by issuance or abandonment. Fees for maintaining a patent in force will be due three years and six months, seven years and six months, and eleven years and six months after the grant of the patent. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before

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the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such six-month grace period the late payment of an applicable maintenance fee.

"(d) By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for all other services or materials related to patents will recover the estimated average cost to the Office of performing the service or furnishing the material. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $50.

"(e) The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.

"(f) Fees will be adjusted by the Commissioner to achieve the levels of recovery specified in this section; however, no patent application processing fee or fee for maintain-

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ing a patent in force will be adjusted more than once every three years.

"(g) No fee established by the Commissioner under this section will take effect prior to sixty days following notice in the Federal Register.".

SEC. 3. Section 42 of title 35, United States Code, is amended to read as follows:

"§ 42. Patent and Trademark Office funding

"(a) All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.

"(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States, the provisions of section 725e of title 31, United States Code, notwithstanding.

"(c) Revenues from fees will be available to the Commissioner of Patents to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office.

"(d) The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.".

SEC. 4. Section 154 of title 35, United States Code, is amended by deleting the word "issue".

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SEC. 5. Section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113), is amended to read as follows:

"§31. Fees

"(a) The Commissioner of Patents will establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. Fees will be set and adjusted by the Commissioner to recover in aggregate 50 per centum of the estimated average cost to the Office of such processing. Fees for all other services or materials related to trademarks and other marks will recover the estimated average cost to the Office of performing the service or furnishing the material. However, no fee for the filing or processing of an application for the registration of a trademark or other mark or for the renewal or assignment of a trademark or other mark will be adjusted more than once every 3 years. No fee established under this section will take effect prior to sixty days following notice in the Federal Register.

"(b) The Commissioner may waive the payment of any fee for any service or material related to trademarks or other marks in connection with an occasional request made by a department or agency of the Government, or any officer thereof. The Indian Arts and Crafts Board will not be

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charged any fee to register Government trademarks of genuineness and quality for Indian products or for products of particular Indian tribes and groups.".

SEC. 6. Title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 37 the following new chapter 38:

"CHAPTER 38—THE GOVERNMENT PATENT POLICY ACT OF 1980

"Sec. 381. Title.

"SUBCHAPTER I—CONTRACT INVENTIONS

"Sec. 382. Contract inventions; reporting.
"Sec. 383. Allocation of rights—small businesses and nonprofit organizations.
"Sec. 384. Allocation of rights—other contractors.
"Sec. 385. Contractor license.
"Sec. 386. Minimum Government rights.
"Sec. 387. March-in rights.
"Sec. 388. Deviation and waiver.
"Sec. 389. Transfer of rights to contractor employees.
"Sec. 390. Regulations and standard patent rights clause.

"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"Sec. 391. Employee inventions.
"Sec. 392. Reporting of inventions.
"Sec. 393. Criteria for the allocation of rights.
"Sec. 394. Presumptions.
"Sec. 395. Review of agency determinations.
"Sec. 396. Reassignment of rights.
"Sec. 397. Incentive awards program.
"Sec. 398. Income sharing from patent licenses.
"Sec. 399. Regulations.

"SUBCHAPTER III—LICENSING OF FEDERALLY-OWNED INVENTIONS

"Sec. 400. Covered inventions.
"Sec. 401. Exclusive or partially exclusive licenses.
"Sec. 402. Minimum Government rights.
"Sec. 403. March-in rights.
"Sec. 404. Regulations.

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"SUBCHAPTER IV—MISCELLANEOUS

"Sec. 405. Patent enforcement suits and right of intervention.
"Sec. 406. Background rights.
"Sec. 407. Notice, hearing, and judicial review.
"Sec. 408. Relationship to other laws.
"Sec. 409. Authority of Federal agencies.
"Sec. 410. Responsibilities of the Secretary of Commerce.
"Sec. 411. Definitions.

"SEC. 381. This chapter will be known as the 'Government Patent Policy Act of 1980'.

"SUBCHAPTER I—CONTRACT INVENTIONS

"§ 382. Contract inventions; reporting

"(a) This title applies to 'contract inventions', which in this Act are inventions made in the course of or under Federal contracts.

"(b) Every contractor will provide the responsible agency with timely written reports on each contract invention containing:

"(1) a comprehensive technical disclosure of the invention, and

"(2) a list of each country, if any, in which the contractor elects to file a patent application on the invention;

The Government neither will publish nor release these reports until the contractor or the Government has had a reasonable time to file patent applications or one year has passed since receipt of the disclosure required by subsection (b)(1) of this section, whichever is earlier, the Government

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also will so withhold such disclosure from other reports or records.

"(c) If the responsible agency determines that the contractor has unreasonably failed to file reports as required by subsection (b) of this section as to a contract invention, the contractor may be deprived of any or all the rights it otherwise would have under this subchapter pertaining to such contract invention.

"§ 383. Allocation of rights—small businesses and nonprofit organizations

"(a) A contractor that is a small business or a nonprofit organization will acquire title to its contract invention in each country it lists under section 382(b)(2) in which it files a patent application within a reasonable time. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

"(b) The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

"§ 384. Allocation of rights—other contractors

"(a) A contractor that is not a small business or a nonprofit organization shall provide to the responsible agency, within four and one-half years from the filing under section 382(b) of a report disclosing a contract invention, a list or

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lists of each field of use in which the contractor intends to commercialize the invention or otherwise achieve public use of the invention; but no such list shall be required for contract inventions on which the contractor did not elect to file any patent application. During such four and one-half year period the contractor shall hold temporary title to the contract invention, subject to the rights of the Government provided elsewhere in this Act. Each field will be described with sufficient particularity to allow the Government to identify those fields of use not encompassed by the described field. Upon the filing of such a completed list, or at the end of the four and one-half year period, whichever is earlier, the Government will acquire from the contractor title to all United States patents on such inventions. Neither the contractor nor any sublicensee may market or use commercially any product or process embodying the patented invention, except under the nonexclusive license granted pursuant to section 385, unless the contractor has described a field of use which embraces the product or process and has reported the field of use to the responsible agency pursuant to this section; but failure to file a field of use list prior to marketing or prior to using commercially any product or process embodying an invention shall be excused if such failure resulted from inadvertance, mistake, or excusable neglect.

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"(b) If such contractor has filed a United States patent application within a reasonable time after it has disclosed an invention under section 382(b)(1), it will receive an exclusive license in each described field of use, with the exclusive right to sublicense, under each United States patent or patent application transferred to the Government under subsection (a) of this section 384. However, its license will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

"(c) The contractor automatically will acquire by operation of law the right to receive an exclusive license, pursuant to subsection (b) of this section in each described field of use, ninety days after it provides the responsible agency with a description of such fields of use pursuant to subsection (a), except that it will not acquire the right to receive an exclusive license in any field of use as to which the agency notifies the contractor within the ninety-day period that it has made a determination under subsection (d) of this section.

"(d) The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such a license—

"(1) would impair national security; or

"(2) would create or maintain a situation inconsistent with the antitrust laws.

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"(e) An agency determination under subsection (d) of this section will include written reasons for the determination. The contractor may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the contractor has been notified of the determination. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination, specifically including authority to require that the contractor receive any exclusive license provided for by this section.

"(f) A contractor that is not a small business or a nonprofit organization will acquire title to its contract invention in each foreign country it lists under section 382(b)(2) in which it files a patent application within a reasonable time unless the agency determines that the national interest would be affected adversely. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387. The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

"§ 385. Contractor license

"Any contractor that complies with section 382(b) automatically will receive by operation of law nonexclusive, roy-

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alty-free licenses to practice the contract invention in all countries where it does not receive title under section 383 or 384 and in all fields of use in the United States in which it does not hold an exclusive license under section 384. These nonexclusive licenses may be revoked only to the extent necessary to allow the Government to grant exclusive licenses under subchapter III.

"§ 386. Minimum Government rights

"(a) The Government will have the following minimum rights in any contract invention:

"(1) the right to require from the contractor written reports on the use of the invention, if patented,

"(2) a royalty-free worldwide right or license to practice the invention or have it practiced for the Government, and

"(3) the right to license or sublicense State and local governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest.

"(b) Whenever the Government has rights in any invention under this title, each United States patent application and patent on the invention will include a statement that the invention was made with Government sponsorship or support and that the Government has rights in the patent.

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"§ *387. March-in rights*

"(a) In any field of use, the Government may wholly or partly terminate the contractor's title or exclusive rights in any patent on a contract invention; may require the contractor to grant appropriate licenses or sublicenses to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself. The Government may take such actions only—

"(1) if the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the selected fields of use;

"(2) if necessary to protect the national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

"(4) if continuation of the contractor's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

"(5) if the contractor has failed to comply with the reporting requirements of this Act with respect to such invention.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

"(c) Whenever under this section an agency requires a contractor to grant a license or sublicense, it may specify reasonable terms, including the royalties to be charged, if

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any; the duration of the license or sublicense; the scope of exclusivity; and the fields of use to be covered.

"§ 388. Deviation and waiver

"(a) An agency may deviate from the allocation of patent rights in contract inventions provided for in any standard patent rights clause established under section 390 acquiring more or fewer rights in the inventions, to further the agency's mission and the public interest. It may so deviate on a class basis only in accordance with regulations issued either under section 390 or, unless prohibited by those regulations, by the agency. Case-by-case deviaiions must be authorized by the head of the agency or his designee, and described in the Federal Register.

"(b) The national security and antitrust march-in rights reserved by sections 387(a)(2), 387(a)(4), and 387(c) may not be waived under any circumstances.

"(c) Rights reserved by sections 384 and 387(a)(1) may be waived only:

"(1) in contracts involving cosponsored, cost-sharing, or joint-venture research or development to which the contractor makes a substantial contribution of funds, facilities, technology, or equipment; or

"(2) in contracts with a contractor whose participation is necessary for the successful accomplishment

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of the agency's mission but cannot be obtained under the standard patent rights clause.

"§ 389. Transfer of rights to contractor employees

"The contractor's employee-inventor may receive some or all of the contractor's rights under this subchapter with the permission of the contractor and the approval of the responsible agency. The corresponding obligations of the contractor under this subchapter then will become obligations of the employee-inventor.

"§ 390. Regulations and standard patent rights clause

"(a) The Office of Federal Procurement Policy will direct the issuance of regulations to implement this title. The regulations will establish a standard patent right clause or clauses, to be included in each Federal contract except as provided in section 388.

"(b) Such regulations shall provide payment to the Government for Federal funding of research and development activities through the sharing of royalties and/or revenues with the contractor. Such regulations shall provide, to the extent appropriate, a standard contractual clause to be included in all Federal research and development contracts.

"(c) Such regulations may allow the agency to waive all or part of the payment set forth in subsection (a) of this section at the time of contracting or at the request of the contractor where the agency determines that—

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"(1) the probable administrative costs are likely to be greater than the expected amount of payment; or

"(2) the Federal Government's contribution to the technology as licensed or utilized is insubstantial compared with private investment made or to be made in technology; or

"(3) the contractor is a small business, educational institution, or nonprofit organization; or

"(4) the total Government funding of the technology with the contractor is less than $1,000,000; or

"(5) the payment would place the contractor at a competitive disadvantage or would stifle commercial utilization of the technology; or

"(6) it is otherwise in the best interests of the Government and the general public.

"(d) Such regulations shall be promulgated within twelve months of enactment of this section. Until they become effective, each agency shall obtain payment on behalf of the Federal Government for its research and development activities on a contract-by-contract basis in a manner consistent with the provisions of this section.

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"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"§ 391. Employee inventions

"This subchapter applies to 'employment inventions', which in this Act are inventions made by Federal employees.

"§ 392. Reporting of inventions

"(a) Federal employees will file timely written reports on any inventions they make. Such reports will be made to the employee's agency and will contain complete technical information concerning the invention. The Government neither will publish nor release a report until there has been a reasonable time to file patent applications or until one year has passed since the final disposition of rights under this subchapter, whichever is earlier.

"(b) If the responsible agency determines that the employee-inventor unreasonably has failed to file a report as required by subsection (a) of this section, the employee may be deprived of any or all of the rights he otherwise would have under this subchapter.

"§ 393. Criteria for allocation of rights

"The responsible agency will determine the rights of the Government and of Federal employee-inventors in any inventions made by employee-inventors through the use of the following criteria:

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"(1) If the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, the Government will acquire all rights in the invention.

"(2) If the invention neither bears a direct relation to the duties of the employee-inventor nor was made in consequence of his employment, but was made with a contribution from Federal funds, facilities, equipment, materials, or information not generally available to the public, or from services of other Federal employees on official duty, the employee-inventor will receive all rights in the invention, except as provided in paragraph (4) of this section. However, these rights will be subject to a nonexclusive, royalty-free, worldwide license to the Government to practice the invention or have it practiced for the Government.

"(3) If the agency finds insufficient interest in an invention to justify exercising its rights under paragraph (1) of this section, it may permit the employee-inventor to receive any or all of those rights, subject to the Government's rights as described in paragraph (2) of this section. However, nothing in this paragraph will prevent the agency from publishing the invention or otherwise dedicating it to the public.

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"(4) If the agency determines that national security might be impaired if the employee-inventor were to receive rights in an invention under paragraphs (2) or (3) of this section, the Government will acquire all rights in the invention.

"(5) The Government will claim no rights under this Act in any employee-invention not covered by paragraphs (1) or (2) of this section.

"(6) Notwithstanding paragraph (1) of this section, an agency may enter into agreements providing for appropriate allocation of rights in inventions that result from research or development to which other parties have substantially contributed.

"§ 394. Presumptions

"(a) There will be a rebuttable presumption that an employee invention falls within the criteria of section 393(1) if it was made by a Federal employee who is employed or assigned to—

"(1) invent, improve, or perfect any art, machine, manufacture, or composition of matter;

"(2) conduct or perform research or development work;

"(3) supervise, direct, coordinate, or review federally sponsored or supported research or development work; or

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"(4) act as liaison among agencies or individuals engaged in the work specified in paragraphs (1), (2), or (3) of this subsection.

"(b) There will be a rebuttable presumption that an invention falls within the criteria of section 393(2) if it was made by any other Federal employee.

"§ 395. Review of agency determinations

"Agency determinations under sections 392 and 393 will be reviewed whenever—

"(1) the agency determines not to acquire all rights in an invention, or

"(2) an aggrieved employee-inventor requests a review.

Standards and procedures for this review will be prescribed in the regulations issued under section 399.

"§ 396. Reassignment of rights

"If an agency finds on the basis of new evidence that it has acquired rights in an invention greater than those to which the Government was entitled under the criteria of section 393, it will grant the employee-inventor such rights as may be necessary to correct the error.

"§ 397. Incentive awards program

"(a) Agencies may monetarily reward and otherwise recognize employee-inventors as an incentive to promote employee inventions and the production and disclosure of em-

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ployee inventions. For this purpose agencies may make awards under the Federal incentive awards system (5 U.S.C. ch. 45, 10 U.S.C. ch. 57, and implementing regulations), as modified by this section.

"(b) The amount of an award for an invention will be based on—

"(1) the extent to which the invention advances the state of the art;

"(2) the scope of application of the invention;

"(3) the value of the invention to the Government or the public; and

"(4) the extent to which the invention has come into public use.

"(c) Awards for an invention of up to $10,000 may be made by the head of an agency.

"(d) Awards of over $10,000 but less than $35,000 may be made by the head of an agency to—

"(1) civilian employees, with the approval of the Office of Personnel Management;

"(2) members of the Armed Forces, with the approval of the Secretary of Defense;

"(3) members of the United States Coast Guard when not operating as a service in the Navy, with the approval of the Secretary of Transportation;

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"(4) members of the Commissioned Corps of the United States Public Health Service, with the approval of the Secretary of Health and Human Services; and

"(5) members of the Commissioned Corps of the National Oceanic and Atmospheric Administration, with the approval of the Secretary of Commerce.

"(e) Awards of more than $35,000 may be made to employee-inventors by the President upon recommendation of the head of an agency.

"(f) Acceptance of a cash award under this section constitutes an agreement that any Government use of an invention for which the award is made forms no basis for further claims against the Government by the recipient, his heirs, or his assigns.

"(g) Any cash award or expense for honorary recognition of an employee-inventor will be paid from the fund or appropriation of the agency receiving the invention's primary benefit.

"§ 398. Income sharing from patent licenses

"In addition to awards as provided in section 397, an agency may share income received from any patent license with the employee-inventor.

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"§ 399. Regulations

"(a) The Commissioner of Patents shall issue regulations to implement this title.

"(b) Any determination of an appointing official under subsection 208(b) of title 18, United States Code, that relates to promotion of an employee invention by the employee-inventor will be subject to regulations prescribed by the Secretary of Commerce with concurrence of the Office of Government Ethics and the Attorney General.

"SUBCHAPTER III—LICENSING OF FEDERALLY OWNED INVENTIONS

"§ 400. Covered inventions

"This subchapter applies to the licensing of all federally owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 387. However, it does not apply to licenses established by the other sections of subchapter I of this chapter.

"§ 401. Exclusive or partially exclusive licenses

"(a) An agency may grant exclusive or partially exclusive domestic licenses under federally owned patent rights not automatically licensed under section 384 only if, after public notice and opportunity for filing written objections, it determines that—

"(1) the desired practical application is not likely to be achieved under a nonexclusive license; and

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"(2) the scope of proposed exclusivity is not greater than reasonably necessary.

"(b) An agency may grant exclusive or partially exclusive foreign licenses under federally owned patent rights after public notice and opportunity for filing written objections and after determining whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

"(c) An agency will not grant a license under this section if it determines that such a grant would create or maintain a situation inconsistent with the antitrust laws.

"(d) Agencies will maintain periodically updated records of determinations to grant exclusive or partially exclusive licenses. These records will be publicly available.

"§ 402. Minimum Government rights

"Each license granted under section 401 will contain such terms and conditions as the agency finds appropriate to protect the interests of the Government and the public, including provisions reserving to the Government:

"(1) The right to require from the licensee written reports on the use of the invention,

"(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government, and

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"(3) The right to license State and local governments to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest.

"§ 403. March-in rights

"(a) The Government will have the right to terminate any license granted under section 401 in whole or in part, but only—

"(1) if the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in each of the fields of use affected;

"(2) if necessary to protect national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

"(4) if the continuation of the licensee's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

"(5) if the licensee has failed to comply with the terms of the license.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

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"§ 404. Regulations

"The Office of Federal Procurement Policy will direct the issuance of regulations specifying the terms and conditions upon which federally owned patent rights may be licensed. An agency may deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

"SUBCHAPTER IV—MISCELLANEOUS

"§ 405. Patent enforcement suits and right of intervention

"(a) Any exclusive licensee under this chapter may enforce its exclusive rights under the licensed patent by bringing suit without joining the United States or any other exclusive licensee as a party. However, the licensee will give prompt notice of the suit, or, of any suit filed against it respecting the patent, to the Attorney General and the agency that granted the license, and all parties will serve copies of papers on the Attorney General and the responsible agency as though they were parties to the suit.

"(b) When the responsible agency is informed of any suit filed by an exclusive licensee, by the Government, or by any other person respecting a patent subject to the provisions of this chapter, it promptly will give notice to all its licensees under the patent. Any exclusive licensee will be entitled to intervene as a party in such a suit in which the validity or scope of the license patent is, or is likely to be, placed in issue.

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"§ 406. Background rights

"Nothing contained in this chapter will be construed to deprive the owner of any background patent or of rights under such a patent.

"§ 407. Notice, hearing, and judicial review

"(a) Agency determinations under sections 382, 386(c), and 387(c), and 403 will be made after public notice and opportunity for a hearing in which the United States, any agency, or any interested person may participate, and will include written reasons for the determination.

"(b) The United States or any participant that may be adversely affected by an agency determination covered by subsection (a) of this section may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the determination is issued. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination.

"§ 408. Relationship to other laws

"Nothing in this chapter creates any immunities or defenses to actions under the antitrust laws.

"§ 409. Authority of Federal agencies

"(a) Agencies may apply for, obtain, maintain, and protect patent rights in the United States and in foreign countries on any invention in which the Government has an interest in order to promote the use of inventions having signifi-

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cant commercial potential or otherwise advance the national interest.

"(b) Agencies may license federally owned patent rights on terms and conditions consistent with subchapter III.

"(c) Agencies may transfer patent rights to other agencies and accept them from other agencies, in whole or in part, without regard to the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471).

"(d) Agencies may withhold publication or release of information disclosing any invention long enough for patent applications to be filed.

"(e) Agencies may promote licensing of federally owned patent rights by making market surveys, acquiring technical information, or otherwise enhancing the marketability of the inventions.

"(f) Agencies may enter into contracts necessary and appropriate to accomplish the purposes of this section.

"§ 410. Responsibilities of the Secretary of Commerce

"(a) The Commissioner of Patents will—

"(1) consult with other agencies about areas of science and technology with potential for commercial development.

"(2) coordinate a program to help agencies in exercising the authority given by section 409.

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"(3) evaluate inventions referred by agencies to identify those with the greatest commercial potential and to promote their public use;

"(4) help agencies seek and maintain patents in the United States and in foreign countries by paying fees and costs and by other means;

"(5) develop and manage a Government-wide program, with appropriate private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through dissemination of information about the technology;

"(6) publish notice of all federally-owned patent rights that are available for licensing; and

"(7) seven years after the date of enactment of this Act, submit to the President and Congress a report describing the operation of this chapter and containing recommendations, if any, for further amendments to promote industrial innovation in the United States.

"(b) There is authorized to be appropriated to the Commissioner of Patents such sums as may be necessary to enable the Commissioner to carry out responsibilities under this section.

"§ 411. Definitions

"As used in this chapter—

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"(1) 'Agency' means an 'executive agency' of the Federal Government, as defined by section 105 of title 5, United States Code, and the military departments defined by section 102 of title 5, United States Code. 'Responsible agency' means the agency which is party to a contract for the performance of research or development, has received patent rights from another agency, or has administrative jurisdiction over an employee-inventor. The Tennessee Valley Authority shall not be considered an 'agency' for the purposes of this chapter; and this chapter shall not apply to its patent rights, contracts, and employees.

"(2) 'Antitrust laws' means the laws included within the definition of the term 'Antitrust laws' in section 1 of the Clayton Act (15 U.S.C. 12), as amended.

"(3) 'Contract' means any Federal contract, cooperative agreement, or grant that provides for performance of research or development substantially funded by the Government. It covers any assignment, substitution of parties, or subcontract of the same type under such a contract. It does not cover Federal price or purchase supports, or Federal loans or loan guarantees.

"(4) 'Contractor' means any person other than an agency that is a party to a contract.

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"(5) 'Federal employee' means any civil service employee as defined in section 2105 of title 5, United States Code, and any member of the uniformed services.

"(6) 'Invention' means any invention that is or may be patentable under the laws of the United States. 'Contract invention' is defined by section 382. 'Employee invention' is defined by section 391.

"(7) 'Made' when used in relation to any invention means conceived or first actually reduced to practice.

"(8) '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.

"(9) 'Patent rights' means patents and patent licenses and sublicenses.

"(10) 'Practical application' means manufacture of a machine, composition, or product, or practice of a process or system, under conditions which establish

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that the invention is being worked and its benefits are available to the public on reasonable terms.

"(11) 'Small business' 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.

"(12) 'State' means a State or territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico. 'Local' refers to any domestic county, municipality, or other governmental entity.

"(13) 'Will', except as the context otherwise requires, has the same meaning as 'shall'.".

SEC. 7. (a) Section 10(a) of the Act of June 29, 1935, as added by title 1 of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085) is amended by striking out the following: "Any contracts made pursuant to this authority shall contain requirements making the results of research and investigations available to the public through dedication, assignment to the Government, or such other means as the Secretary shall determine.".

(b) Section 205(a) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1624(a); 60 Stat. 1090) is amended by striking out the following: "Any contract made pursuant to this section shall contain requirements making the result of such research and investigations available to the public by

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such means as the Secretary of Agriculture shall determine.".

(c) Section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742) is amended by striking out the following: "No research, demonstrations, or experiments shall be carried out, contracted for, sponsored, cosponsored, or authorized under authority of this Act, unless all information, uses, products, processes, patents, and other developments resulting from such research, demonstrations, or experiments will (with such exception and limitation, if any, as the Secretary of the Interior or the Secretary of Health, Education, and Welfare in coordination with the Secretary may find to be necessary in the public interest) be available to the general public.".

(d) 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.

(e) Section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871; 64 Stat. 149, 154) is repealed.

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

(g) The National Aeronautics and Space Act of 1958 (72 Stat. 426) is amended—

(1) by repealing section 305 (42 U.S.C. 2457). However, subsections (c), (d), and (e) of section 305

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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 before the effective date of this Act;

(2) by striking out, in section 306(a) (42 U.S.C. 2458(a)), "(as defined by section 305)"; and by striking out "the Inventions and Contributions Board, established under section 305 of this Act" and inserting instead: "an Inventions and Contributions Board which shall be established by the Administrator within the Administration";

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

"(14) to provide effective contractual provisions for reporting 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.";

(4) by inserting at the end of section 203 (42 U.S.C. 2473) the following new subsection:

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

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(5) by striking out the following in such section 203(c)(3): "(including patents and rights thereunder)".

(h) Section 6 of the Act entitled "An Act to encourage and stimulate the production and conservation of coal in the United States through research and development by authorizing the Secretary of the Interior to contract for coal research, and for other purposes", approved July 7, 1960 (30 U.S.C. 666; 74 Stat. 337), is repealed.

(i) Section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920) is amended by striking out the following: "Provided, however, That all research contracted for, sponsored, cosponsored, or authorized under authority of this Act shall be provided for in such a manner that all information, uses, products, processes, patents, and other developments resulting from such research developed by Government expenditure will (with such exceptions and limitations, if any, as the Secretary may find to be necessary in the interest of national defense) be available to the general public: And provided further, That nothing contained herein shall be construed as to deprive the owner of any background patent relating thereto to such rights as he may have thereunder." and by inserting instead a period.

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

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(k) 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.

(l) Except for subsection (1), section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878) is repealed.

(m) 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.

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

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

(p) The Resources Conservation and Recovery Act of 1976 (90 Stat. 2795) is amended—

(1) by repealing section 8001(c)(3) (42 U.S.C. 6981(c)(3); 90 Stat. 2831); and

(2) by striking out, in section 8004(c)(2) (42 U.S.C. 6984(c)(2)) the second sentence, "notwithstanding section 8001(c)(3),".

(q) Section 12 of the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976 (15 U.S.C. 2511; 90 Stat. 1269) is repealed.

(r) Paragraph (r) of section 19 (as added by Public Law 95–238) of the Federal Nonnuclear Energy Research

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and Development Act of 1974, Public Law 93–577, as amended, Public Law 95–238, is repealed; subparagraph (g)4 of said section 19 is amended by striking "under section 9 of this Act" in the first sentence.

(s) Section 112(d)(2) of Public Law 95–39, enacted on June 3, 1977, is amended by striking "shall be governed by the provisions of section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 and".

(t) Section 408 of the Water Research and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1316) is repealed.

SEC. 8. (a) Sections 2, 4, and 5 of this Act will take effect upon enactment.

(b) Section 1 of this Act will take effect on the first day of the seventh month beginning after its enactment and will apply to patents in force as of that date or issued thereafter.

(c) Section 3 of this Act will take effect on the first day of the first fiscal year beginning on or after one calendar year after enactment. However, until section 3 takes effect, the Commissioner may credit the Patent and Trademark Office appropriation account in the Treasury of the United States with the revenues from collected reexamination fees, which will be available to pay the costs to the Office of reexamination proceedings.

(d) Any fee in effect as of the date of enactment of this Act will remain in effect until a corresponding fee established

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under section 41 of title 35, United States Code, or section 1113 of title 15, United States Code, takes effect.

(e) Fees for maintaining a patent in force will not be applicable to patents applied for prior to the date of enactment of this Act.

(f) Sections 6 and 7 of this Act will take effect on the first day of the seventh month beginning after its enactment. Implementing regulations may be issued earlier.

~~*SEC. 9. On or before July 1, 1981, the Comptroller General of the United States shall submit to the Congress and the President a report describing the functioning of the Patent and Trademark Office, the Copyright Office, and the Copyright Royalty Tribunal. Such report shall analyze the efficiency of each of these agencies in achieving its statutory mission and make recommendations for change including recommendations on the desirability of merging the Copyright Office and the Copyright Royalty Tribunal with the Patent and Trademark Office.*~~

SEC. ~~10. (a)~~ **9.** *The Commissioner of Patents and Trademarks shall report to Congress, within ~~six months of~~* **two years after** *the effective date of this Act, a plan to identify, and if necessary develop or have developed, computerized data and retrieval systems equivalent to the latest state of the art which can be applied to all aspects of the operation of the Patent and Trademark Office, and particularly to the*

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patent search file, the patent classification system, and the trademark search file. The report shall specify the cost of implementing the plan, how rapidly the plan can be implemented by the Patent and Trademark Office, without regard to funding which is or which may be available for this purpose in the future.

~~*(b) Until such computer technology is fully implemented within the Patent and Trademark Office, the Commissioner shall report to Congress every six months on the progress being made in improving upon and implementing a program of applying the most modern computer technology, to operate the Patent and Trademark Office.*~~

~~*SEC. 11. (a) Title 35 of the United States Code is amended as follows:*~~

~~*(1) section 1 is amended to read as follows:*~~

~~***"§ 1. Establishment***~~

~~*"The Patent and Trademark Office, referred to in this chapter as the 'Office', shall be an independent agency, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.";*~~

~~*(2) section 3(a) is amended by striking out the last sentence and inserting in lieu thereof the following:*~~

~~*"The Commissioner shall be the Chief Officer of the*~~

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~~Office and shall be a person knowledgeable in patent and trademark matters. The Commissioner shall be appointed for a fixed term of six years and shall be removable from office by the President for good cause. The Commissioner shall appoint all other officers and employees of the Office.";~~

~~(3) section 3(b) is repealed;~~

~~(4) section 3(c) is amended by striking out "Secretary of Commerce" and inserting in lieu thereof "Commissioner" and such section is redesignated as section 3(b);~~

~~(5) in section 6, strike out ", under the direction of the Secretary of Commerce," and ", subject to the approval of the Secretary of Commerce," each time they appear therein;~~

~~(6) in section 7, strike out "Secretary of Commerce" and insert in lieu thereof "Commissioner";~~

~~(7) in section 31, strike out ", subject to the approval of the Secretary of Commerce,";~~

~~(8) in the last sentence of the third paragraph of section 181, strike out "a right to appeal to the Secretary of Commerce" and insert in lieu thereof "a right to appeal from the order under rules prescribed by the Commissioner"; and~~

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~~(9) in section 188, strike out "Secretary of Commerce" and insert in lieu thereof "Commissioner of Patents and Trademarks".~~

~~(b) Section 12(c) of the Act of February 14, 1903 (15 U.S.C. 1511(c)), is repealed.~~

SEC. ~~12.~~ **10.** *(a) Section 101 of title 17 of the United States Code is amended to add at the end thereof the following new language:*

"A 'computer program' is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.".

(b) Section 117 of title 17 of the United States Code is amended to read as follows:

"§ 117. Limitations on exclusive rights: Computer programs

"Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

"(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

"(2) that such new copy or adaptation is for archival purposes only and that all archival copies are

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destroyed in the event that continued possession of the computer program should cease to be rightful.

"Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.".

Amend the title so as to read: "A bill to amend the patent and trademark laws.".

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Union Calendar No. 836

96TH CONGRESS
2D SESSION

H. R. 6933

[Report No. 96–1307, Parts I and II]

A BILL

Entitled: "To amend the patent and trademark laws".

MARCH 26, 1980

Referred to the Committee on the Judiciary

SEPTEMBER 9, 1980

Reported with amendments and referred to the Committee on Government Operations with instructions

SEPTEMBER 23, 1980

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

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96TH CONGRESS
2D SESSION

H. R. 6933

IN THE SENATE OF THE UNITED STATES

NOVEMBER 19 (legislative day, JUNE 12), 1980
Read twice and referred to the Committee on the Judiciary

AN ACT

To amend the patent and trademark laws.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 29 the following new chapter 30:

"CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

"Sec. 301. Citation of prior art.
"Sec. 302. Request for reexamination.
"Sec. 303. Determination of issue by Commissioner.
"Sec. 304. Reexamination order by Commissioner.
"Sec. 305. Conduct of reexamination proceedings.
"Sec. 306. Appeal.
"Sec. 307. Certificate of patentability, unpatentability, and claim cancellation.

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"§ 301. Citation of prior art

"Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

"§ 302. Request for reexamination

"Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

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"§ 303. Determination of issue by Commissioner

"(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and at any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

"(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

"(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

"§ 304. Reexamination order by Commissioner

"If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting any claim

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of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

"§ 305. Conduct of reexamination proceedings

"After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of sec-

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tion 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

"§ 306. Appeal

"The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

"§ 307. Certificate of patentability, unpatentability, and claim cancellation

"(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

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"(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.".

SEC. 2. Section 41 of title 35, United States Code, is amended to read as follows:

"§ 41. Patent fees

"(a) The Commissioner of Patents will establish fees for the processing of an application for a patent, from filing through disposition by issuance or abandonment, for maintaining a patent in force, and for providing all other services and materials related to patents. No fee will be established for maintaining a design patent in force.

"(b) By the first day of the first fiscal year beginning on or after one calendar year after enactment of this Act, fees for the actual processing of an application for a patent, other than for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 25 per centum of the estimated average cost to the Office of such processing. By the first day of the first fiscal year beginning

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on or after one calendar year after enactment, fees for the processing of an application for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 50 per centum of the estimated average cost to the Office of such processing.

"(c) By the fifteenth fiscal year following the date of enactment of this Act, fees for maintaining patents in force will recover 25 per centum of the estimated cost to the Office, for the year in which such maintenance fees are received, of the actual processing all applications for patents, other than for design patents, from filing through disposition by issuance or abandonment. Fees for maintaining a patent in force will be due three years and six months, seven years and six months, and eleven years and six months after the grant of the patent. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such six-month grace period the late payment of an applicable maintenance fee.

"(d) By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for all other services or materials related to patents will recover the esti-

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mated average cost to the Office of performing the service or furnishing the material. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $50.

"(e) The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.

"(f) Fees will be adjusted by the Commissioner to achieve the levels of recovery specified in this section; however, no patent application processing fee or fee for maintaining a patent in force will be adjusted more than once every three years.

"(g) No fee established by the Commissioner under this section will take effect prior to sixty days following notice in the Federal Register.".

SEC. 3. Section 42 of title 35, United States Code, is amended to read as follows:

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"§ 42. Patent and Trademark Office funding

"(a) All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.

"(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States, the provisions of section 725e of title 31, United States Code, notwithstanding.

"(c) Revenues from fees will be available to the Commissioner of Patents to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office.

"(d) The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.".

SEC. 4. Section 154 of title 35, United States Code, is amended by deleting the word "issue".

SEC. 5. Section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113), is amended to read as follows:

"§ 31. Fees

"(a) The Commissioner of Patents will establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. Fees will

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be set and adjusted by the Commissioner to recover in aggregate 50 per centum of the estimated average cost to the Office of such processing. Fees for all other services or materials related to trademarks and other marks will recover the estimated average cost to the Office of performing the service or furnishing the material. However, no fee for the filing or processing of an application for the registration of a trademark or other mark or for the renewal or assignment of a trademark or other mark will be adjusted more than once every 3 years. No fee established under this section will take effect prior to sixty days following notice in the Federal Register.

"(b) The Commissioner may waive the payment of any fee for any service or material related to trademarks or other marks in connection with an occasional request made by a department or agency of the Government, or any officer thereof. The Indian Arts and Crafts Board will not be charged any fee to register Government trademarks of genuineness and quality for Indian products or for products of particular Indian tribes and groups.".

SEC. 6. Title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 37 the following new chapter 38:

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"CHAPTER 38—THE GOVERNMENT PATENT POLICY ACT OF 1980

"Sec. 381. Title.

"SUBCHAPTER I—CONTRACT INVENTIONS

"Sec. 382. Contract inventions; reporting.
"Sec. 383. Allocation of rights—small businesses and nonprofit organizations.
"Sec. 384. Allocation of rights—other contractors.
"Sec. 385. Contractor license.
"Sec. 386. Minimum Government rights.
"Sec. 387. March-in rights.
"Sec. 388. Deviation and waiver.
"Sec. 389. Transfer of rights to contractor employees.
"Sec. 390. Regulations and standard patent rights clause.

"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"Sec. 391. Employee inventions.
"Sec. 392. Reporting of inventions.
"Sec. 393. Criteria for the allocation of rights.
"Sec. 394. Presumptions.
"Sec. 395. Review of agency determinations.
"Sec. 396. Reassignment of rights.
"Sec. 397. Incentive awards program.
"Sec. 398. Income sharing from patent licenses.
"Sec. 399. Regulations.

"SUBCHAPTER III—LICENSING OF FEDERALLY-OWNED INVENTIONS

"Sec. 400. Covered inventions.
"Sec. 401. Exclusive or partially exclusive licenses.
"Sec. 402. Minimum Government rights.
"Sec. 403. March-in rights.
"Sec. 404. Regulations.

"SUBCHAPTER IV—MISCELLANEOUS

"Sec. 405. Patent enforcement suits and right of intervention.
"Sec. 406. Background rights.
"Sec. 407. Notice, hearing, and judicial review.
"Sec. 408. Relationship to other laws.
"Sec. 409. Authority of Federal agencies.
"Sec. 410. Responsibilities of the Secretary of Commerce.
"Sec. 411. Definitions.

"SEC. 381. This chapter will be known as the 'Government Patent Policy Act of 1980'.

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"SUBCHAPTER I—CONTRACT INVENTIONS

"§ 382. Contract inventions; reporting

"(a) This title applies to 'contract inventions', which in this Act are inventions made in the course of or under Federal contracts.

"(b) Every contractor will provide the responsible agency with timely written reports on each contract invention containing:

"(1) a comprehensive technical disclosure of the invention, and

"(2) a list of each country, if any, in which the contractor elects to file a patent application on the invention;

The Government neither will publish nor release these reports until the contractor or the Government has had a reasonable time to file patent applications or one year has passed since receipt of the disclosure required by subsection (b)(1) of this section, whichever is earlier, the Government also will so withhold such disclosure from other reports or records.

"(c) If the responsible agency determines that the contractor has unreasonably failed to file reports as required by subsection (b) of this section as to a contract invention, the contractor may be deprived of any or all the rights it other-

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wise would have under this subchapter pertaining to such contract invention.

"§ 383. Allocation of rights—small businesses and nonprofit organizations

"(a) A contractor that is a small business or a nonprofit organization will acquire title to its contract invention in each country it lists under section 382(b)(2) in which it files a patent application within a reasonable time. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

"(b) The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

"§ 384. Allocation of rights—other contractors

"(a) A contractor that is not a small business or a nonprofit organization shall provide to the responsible agency, within four and one-half years from the filing under section 382(b) of a report disclosing a contract invention, a list or lists of each field of use in which the contractor intends to commercialize the invention or otherwise achieve public use of the invention; but no such list shall be required for contract inventions on which the contractor did not elect to file any patent application. During such four and one-half year period the contractor shall hold temporary title to the contract in-

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vention, subject to the rights of the Government provided elsewhere in this Act. Each field will be described with sufficient particularity to allow the Government to identify those fields of use not encompassed by the described field. Upon the filing of such a completed list, or at the end of the four and one-half year period, whichever is earlier, the Government will acquire from the contractor title to all United States patents on such inventions. Neither the contractor nor any sublicensee may market or use commercially any product or process embodying the patented invention, except under the nonexclusive license granted pursuant to section 385, unless the contractor has described a field of use which embraces the product or process and has reported the field of use to the responsible agency pursuant to this section; but failure to file a field of use list prior to marketing or prior to using commercially any product or process embodying an invention shall be excused if such failure resulted from inadvertance, mistake, or excusable neglect.

"(b) If such contractor has filed a United States patent application within a reasonable time after it has disclosed an invention under section 382(b)(1), it will receive an exclusive license in each described field of use, with the exclusive right to sublicense, under each United States patent or patent application transferred to the Government under subsection (a) of this section 384. However, its license will be subject to the

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Government's minimum rights under section 386 and marchin rights under section 387.

"(c) The contractor automatically will acquire by operation of law the right to receive an exclusive license, pursuant to subsection (b) of this section in each described field of use, ninety days after it provides the responsible agency with a description of such fields of use pursuant to subsection (a), except that it will not acquire the right to receive an exclusive license in any field of use as to which the agency notifies the contractor within the ninety-day period that it has made a determination under subsection (d) of this section.

"(d) The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such a license—

"(1) would impair national security; or

"(2) would create or maintain a situation inconsistent with the antitrust laws.

"(e) An agency determination under subsection (d) of this section will include written reasons for the determination. The contractor may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the contractor has been notified of the determination. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination, specifically including authority to re-

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quire that the contractor receive any exclusive license provided for by this section.

"(f) A contractor that is not a small business or a nonprofit organization will acquire title to its contract invention in each foreign country it lists under section 382(b)(2) in which it files a patent application within a reasonable time unless the agency determines that the national interest would be affected adversely. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387. The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

"§ 385. Contractor license

"Any contractor that complies with section 382(b) automatically will receive by operation of law nonexclusive, royalty-free licenses to practice the contract invention in all countries where it does not receive title under section 383 or 384 and in all fields of use in the United States in which it does not hold an exclusive license under section 384. These nonexclusive licenses may be revoked only to the extent necessary to allow the Government to grant exclusive licenses under subchapter III.

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"§ 386. **Minimum Government rights**

"(a) The Government will have the following minimum rights in any contract invention:

"(1) the right to require from the contractor written reports on the use of the invention, if patented,

"(2) a royalty-free worldwide right or license to practice the invention or have it practiced for the Government, and

"(3) the right to license or sublicense State and local governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest.

"(b) Whenever the Government has rights in any invention under this title, each United States patent application and patent on the invention will include a statement that the invention was made with Government sponsorship or support and that the Government has rights in the patent.

"§ 387. **March-in rights**

"(a) In any field of use, the Government may wholly or partly terminate the contractor's title or exclusive rights in any patent on a contract invention; may require the contractor to grant appropriate licenses or sublicenses to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself. The Government may take such actions only—

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"(1) if the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the selected fields of use;

"(2) if necessary to protect the national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

"(4) if continuation of the contractor's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

"(5) if the contractor has failed to comply with the reporting requirements of this Act with respect to such invention.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

"(c) Whenever under this section an agency requires a contractor to grant a license or sublicense, it may specify reasonable terms, including the royalties to be charged, if any; the duration of the license or sublicense; the scope of exclusivity; and the fields of use to be covered.

"§ 388. Deviation and waiver

"(a) An agency may deviate from the allocation of patent rights in contract inventions provided for in any standard patent rights clause established under section 390 acquir-

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ing more or fewer rights in the inventions, to further the agency's mission and the public interest. It may so deviate on a class basis only in accordance with regulations issued either under section 390 or, unless prohibited by those regulations, by the agency. Case-by-case deviations must be authorized by the head of the agency or his designee, and described in the Federal Register.

"(b) The national security and antitrust march-in rights reserved by sections 387(a)(2), 387(a)(4), and 387(c) may not be waived under any circumstances.

"(c) Rights reserved by sections 384 and 387(a)(1) may be waived only:

"(1) in contracts involving cosponsored, cost-sharing, or joint-venture research or development to which the contractor makes a substantial contribution of funds, facilities, technology, or equipment; or

"(2) in contracts with a contractor whose participation is necessary for the successful accomplishment of the agency's mission but cannot be obtained under the standard patent rights clause.

"§ 389. Transfer of rights to contractor employees

"The contractor's employee-inventor may receive some or all of the contractor's rights under this subchapter with the permission of the contractor and the approval of the responsible agency. The corresponding obligations of the con-

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tractor under this subchapter then will become obligations of the employee-inventor.

"§ 390. Regulations and standard patent rights clause

"(a) The Office of Federal Procurement Policy will direct the issuance of regulations to implement this title. The regulations will establish a standard patent right clause or clauses, to be included in each Federal contract except as provided in section 388.

"(b) Such regulations shall provide payment to the Government for Federal funding of research and development activities through the sharing of royalties and/or revenues with the contractor. Such regulations shall provide, to the extent appropriate, a standard contractual clause to be included in all Federal research and development contracts.

"(c) Such regulations may allow the agency to waive all or part of the payment set forth in subsection (a) of this section at the time of contracting or at the request of the contractor where the agency determines that—

"(1) the probable administrative costs are likely to be greater than the expected amount of payment; or

"(2) the Federal Government's contribution to the technology as licensed or utilized is insubstantial compared with private investment made or to be made in technology; or

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"(3) the contractor is a small business, educational institution, or nonprofit organization; or

"(4) the total Government funding of the technology with the contractor is less than $1,000,000; or

"(5) the payment would place the contractor at a competitive disadvantage or would stifle commercial utilization of the technology; or

"(6) it is otherwise in the best interests of the Government and the general public.

"(d) Such regulations shall be promulgated within twelve months of enactment of this section. Until they become effective, each agency shall obtain payment on behalf of the Federal Government for its research and development activities on a contract-by-contract basis in a manner consistent with the provisions of this section.

"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"§ 391. Employee inventions

"This subchapter applies to 'employment inventions', which in this Act are inventions made by Federal employees.

"§ 392. Reporting of inventions

"(a) Federal employees will file timely written reports on any inventions they make. Such reports will be made to the employee's agency and will contain complete technical information concerning the invention. The Government nei-

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ther will publish nor release a report until there has been a reasonable time to file patent applications or until one year has passed since the final disposition of rights under this subchapter, whichever is earlier.

"(b) If the responsible agency determines that the employee-inventor unreasonably has failed to file a report as required by subsection (a) of this section, the employee may be deprived of any or all of the rights he otherwise would have under this subchapter.

"§ 393. Criteria for allocation of rights

"The responsible agency will determine the rights of the Government and of Federal employee-inventors in any inventions made by employee-inventors through the use of the following criteria:

"(1) If the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, the Government will acquire all rights in the invention.

"(2) If the invention neither bears a direct relation to the duties of the employee-inventor nor was made in consequence of his employment, but was made with a contribution from Federal funds, facilities, equipment, materials, or information not generally available to the public, or from services of other Federal employees on official duty, the employee-inventor

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will receive all rights in the invention, except as provided in paragraph (4) of this section. However, these rights will be subject to a nonexclusive, royalty-free, worldwide license to the Government to practice the invention or have it practiced for the Government.

"(3) If the agency finds insufficient interest in an invention to justify exercising its rights under paragraph (1) of this section, it may permit the employee-inventor to receive any or all of those rights, subject to the Government's rights as described in paragraph (2) of this section. However, nothing in this paragraph will prevent the agency from publishing the invention or otherwise dedicating it to the public.

"(4) If the agency determines that national security might be impaired if the employee-inventor were to receive rights in an invention under paragraphs (2) or (3) of this section, the Government will acquire all rights in the invention.

"(5) The Government will claim no rights under this Act in any employee-invention not covered by paragraphs (1) or (2) of this section.

"(6) Notwithstanding paragraph (1) of this section, an agency may enter into agreements providing for appropriate allocation of rights in inventions that

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result from research or development to which other parties have substantially contributed.

"§ 394. Presumptions

"(a) There will be a rebuttable presumption that an employee invention falls within the criteria of section 393(1) if it was made by a Federal employee who is employed or assigned to—

"(1) invent, improve, or perfect any art, machine, manufacture, or composition of matter;

"(2) conduct or perform research or development work;

"(3) supervise, direct, coordinate, or review federally sponsored or supported research or development work; or

"(4) act as liaison among agencies or individuals engaged in the work specified in paragraphs (1), (2), or (3) of this subsection.

"(b) There will be a rebuttable presumption that an invention falls within the criteria of section 393(2) if it was made by any other Federal employee.

"§ 395. Review of agency determinations

"Agency determinations under sections 392 and 393 will be reviewed whenever—

"(1) the agency determines not to acquire all rights in an invention, or

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"(2) an aggrieved employee-inventor requests a review.

Standards and procedures for this review will be prescribed in the regulations issued under section 399.

"§ 396. Reassignment of rights

"If an agency finds on the basis of new evidence that it has acquired rights in an invention greater than those to which the Government was entitled under the criteria of section 393, it will grant the employee-inventor such rights as may be necessary to correct the error.

"§ 397. Incentive awards program

"(a) Agencies may monetarily reward and otherwise recognize employee-inventors as an incentive to promote employee inventions and the production and disclosure of employee inventions. For this purpose agencies may make awards under the Federal incentive awards system (5 U.S.C. ch. 45, 10 U.S.C. ch. 57, and implementing regulations), as modified by this section.

"(b) The amount of an award for an invention will be based on—

"(1) the extent to which the invention advances the state of the art;

"(2) the scope of application of the invention;

"(3) the value of the invention to the Government or the public; and

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"(4) the extent to which the invention has come into public use.

"(c) Awards for an invention of up to $10,000 may be made by the head of an agency.

"(d) Awards of over $10,000 but less than $35,000 may be made by the head of an agency to—

"(1) civilian employees, with the approval of the Office of Personnel Management;

"(2) members of the Armed Forces, with the approval of the Secretary of Defense;

"(3) members of the United States Coast Guard when not operating as a service in the Navy, with the approval of the Secretary of Transportation;

"(4) members of the Commissioned Corps of the United States Public Health Service, with the approval of the Secretary of Health and Human Services; and

"(5) members of the Commissioned Corps of the National Oceanic and Atmospheric Administration, with the approval of the Secretary of Commerce.

"(e) Awards of more than $35,000 may be made to employee-inventors by the President upon recommendation of the head of an agency.

"(f) Acceptance of a cash award under this section constitutes an agreement that any Government use of an invention for which the award is made forms no basis for further

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claims against the Government by the recipient, his heirs, or his assigns.

"(g) Any cash award or expense for honorary recognition of an employee-inventor will be paid from the fund or appropriation of the agency receiving the invention's primary benefit.

"§ 398. Income sharing from patent licenses

"In addition to awards as provided in section 397, an agency may share income received from any patent license with the employee-inventor.

"§ 399. Regulations

"(a) The Commissioner of Patents shall issue regulations to implement this title.

"(b) Any determination of an appointing official under subsection 208(b) of title 18, United States Code, that relates to promotion of an employee invention by the employee-inventor will be subject to regulations prescribed by the Secretary of Commerce with concurrence of the Office of Government Ethics and the Attorney General.

"SUBCHAPTER III—LICENSING OF FEDERALLY OWNED INVENTIONS

"§ 400. Covered inventions

"This subchapter applies to the licensing of all federally owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section

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387. However, it does not apply to licenses established by the other sections of subchapter I of this chapter.

"§ 401. Exclusive or partially exclusive licenses

"(a) An agency may grant exclusive or partially exclusive domestic licenses under federally owned patent rights not automatically licensed under section 384 only if, after public notice and opportunity for filing written objections, it determines that—

"(1) the desired practical application is not likely to be achieved under a nonexclusive license; and

"(2) the scope of proposed exclusivity is not greater than reasonably necessary.

"(b) An agency may grant exclusive or partially exclusive foreign licenses under federally owned patent rights after public notice and opportunity for filing written objections and after determining whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

"(c) An agency will not grant a license under this section if it determines that such a grant would create or maintain a situation inconsistent with the antitrust laws.

"(d) Agencies will maintain periodically updated records of determinations to grant exclusive or partially exclusive licenses. These records will be publicly available.

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"§ 402. Minimum Government rights

"Each license granted under section 401 will contain such terms and conditions as the agency finds appropriate to protect the interests of the Government and the public, including provisions reserving to the Government:

"(1) The right to require from the licensee written reports on the use of the invention,

"(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government, and

"(3) The right to license State and local governments to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest.

"§ 403. March-in rights

"(a) The Government will have the right to terminate any license granted under section 401 in whole or in part, but only—

"(1) if the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in each of the fields of use affected;

"(2) if necessary to protect national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

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"(4) if the continuation of the licensee's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

"(5) if the licensee has failed to comply with the terms of the license.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

"§ 404. Regulations

"The Office of Federal Procurement Policy will direct the issuance of regulations specifying the terms and conditions upon which federally owned patent rights may be licensed. An agency may deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

"SUBCHAPTER IV—MISCELLANEOUS

"§ 405. Patent enforcement suits and right of intervention

"(a) Any exclusive licensee under this chapter may enforce its exclusive rights under the licensed patent by bringing suit without joining the United States or any other exclusive licensee as a party. However, the licensee will give prompt notice of the suit, or, of any suit filed against it respecting the patent, to the Attorney General and the agency that granted the license, and all parties will serve copies of

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papers on the Attorney General and the responsible agency as though they were parties to the suit.

"(b) When the responsible agency is informed of any suit filed by an exclusive licensee, by the Government, or by any other person respecting a patent subject to the provisions of this chapter, it promptly will give notice to all its licensees under the patent. Any exclusive licensee will be entitled to intervene as a party in such a suit in which the validity or scope of the license patent is, or is likely to be, placed in issue.

"§ 406. Background rights

"Nothing contained in this chapter will be construed to deprive the owner of any background patent or of rights under such a patent.

"§ 407. Notice, hearing, and judicial review

"(a) Agency determinations under sections 382, 387(a), and 387(c), and 403 will be made after public notice and opportunity for a hearing in which the United States, any agency, or any interested person may participate, and will include written reasons for the determination.

"(b) The United States or any participant that may be adversely affected by an agency determination covered by subsection (a) of this section may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the determination is issued. That

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court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination.

"§ 408. Relationship to other laws

"Nothing in this chapter creates any immunities or defenses to actions under the antitrust laws.

"§ 409. Authority of Federal agencies

"(a) Agencies may apply for, obtain, maintain, and protect patent rights in the United States and in foreign countries on any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest.

"(b) Agencies may license federally owned patent rights on terms and conditions consistent with subchapter III.

"(c) Agencies may transfer patent rights to other agencies and accept them from other agencies, in whole or in part, without regard to the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471).

"(d) Agencies may withhold publication or release of information disclosing any invention long enough for patent applications to be filed.

"(e) Agencies may promote licensing of federally owned patent rights by making market surveys, acquiring technical

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information, or otherwise enhancing the marketability of the inventions.

"(f) Agencies may enter into contracts necessary and appropriate to accomplish the purposes of this section.

"§ 410. Responsibilities of the Secretary of Commerce

"(a) The Commissioner of Patents will—

"(1) consult with other agencies about areas of science and technology with potential for commercial development.

"(2) coordinate a program to help agencies in exercising the authority given by section 409.

"(3) evaluate inventions referred by agencies to identify those with the greatest commercial potential and to promote their public use;

"(4) help agencies seek and maintain patents in the United States and in foreign countries by paying fees and costs and by other means;

"(5) develop and manage a Government-wide program, with appropriate private sector participation, to stimulate transfer to the private sector of potentially valuable federally owned technology through dissemination of information about the technology;

"(6) publish notice of all federally owned patent rights that are available for licensing; and

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"(7) seven years after the date of enactment of this Act, submit to the President and Congress a report describing the operation of this chapter and containing recommendations, if any, for further amendments to promote industrial innovation in the United States.

"(b) There is authorized to be appropriated to the Commissioner of Patents such sums as may be necessary to enable the Commissioner to carry out responsibilities under this section.

"§ 411. Definitions

"As used in this chapter—

"(1) 'Agency' means an 'executive agency' of the Federal Government, as defined by section 105 of title 5, United States Code, and the military departments defined by section 102 of title 5, United States Code. 'Responsible agency' means the agency which is party to a contract for the performance of research or development, has received patent rights from another agency, or has administrative jurisdiction over an employee-inventor. The Tennessee Valley Authority shall not be considered an 'agency' for the purposes of this chapter; and this chapter shall not apply to its patent rights, contracts, and employees.

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"(2) 'Antitrust laws' means the laws included within the definition of the term 'Antitrust laws' in section 1 of the Clayton Act (15 U.S.C. 12), as amended.

"(3) 'Contract' means any Federal contract, cooperative agreement, or grant that provides for performance of research or development substantially funded by the Government. It covers any assignment, substitution of parties, or subcontract of the same type under such a contract. It does not cover Federal price or purchase supports, or Federal loans or loan guarantees.

"(4) 'Contractor' means any person other than an agency that is a party to a contract.

"(5) 'Federal employee' means any civil service employee as defined in section 2105 of title 5, United States Code, and any member of the uniformed services.

"(6) 'Invention' means any invention that is or may be patentable under the laws of the United States. 'Contract invention' is defined by section 382. 'Employee invention' is defined by section 391.

"(7) 'Made' when used in relation to any invention means conceived or first actually reduced to practice.

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"(8) '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.

"(9) 'Patent rights' means patents and patent licenses and sublicenses.

"(10) 'Practical application' means manufacture of a machine, composition, or product, or practice of a process or system, under conditions which establish that the invention is being worked and its benefits are available to the public on reasonable terms.

"(11) 'Small business' 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.

"(12) 'State' means a State or territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico. 'Local' refers to any domestic county, municipality, or other governmental entity.

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"(13) 'Will', except as the context otherwise requires, has the same meaning as 'shall'.".

SEC. 7. (a) Section 10(a) of the Act of June 29, 1935, as added by title 1 of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085) is amended by striking out the following: "Any contracts made pursuant to this authority shall contain requirements making the results of research and investigations available to the public through dedication, assignment to the Government, or such other means as the Secretary shall determine.".

(b) Section 205(a) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1624(a); 60 Stat. 1090) is amended by striking out the following: "Any contract made pursuant to this section shall contain requirements making the result of such research and investigations available to the public by such means as the Secretary of Agriculture shall determine.".

(c) Section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742) is amended by striking out the following: "No research, demonstrations, c experiments shall be carried out, contracted for, sponsored, cosponsored, or authorized under authority of this Act, unless all information, uses, products, processes, patents, and other developments resulting from such research, demonstrations, or experiments will (with such exception and limitation, if any, as the Secretary of the Interior or the Sec-

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retary of Health, Education, and Welfare in coordination with the Secretary may find to be necessary in the public interest) be available to the general public.".

(d) 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.

(e) Section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871; 64 Stat. 149, 154) is repealed.

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

(g) The National Aeronautics and Space Act of 1958 (72 Stat. 426) is amended—

(1) by repealing section 305 (42 U.S.C. 2457). However, subsections (c), (d), and (e) of section 305 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 before the effective date of this Act;

(2) by striking out, in section 306(a) (42 U.S.C. 2458(a)), "(as defined by section 305)"; and by striking out "the Inventions and Contributions Board, established under section 305 of this Act" and inserting instead: "an Inventions and Contributions Board which

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shall be established by the Administrator within the Administration";

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

"(14) to provide effective contractual provisions for reporting 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.";

(4) by inserting at the end of section 203 (42 U.S.C. 2473) the following new subsection:

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

(5) by striking out the following in such section 203(c)(3): "(including patents and rights thereunder)".

(h) Section 6 of the Act entitled "An Act to encourage and stimulate the production and conservation of coal in the United States through research and development by authorizing the Secretary of the Interior to contract for coal research, and for other purposes", approved July 7, 1960 (30 U.S.C. 666; 74 Stat. 337), is repealed.

(i) Section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920) is amended by striking out the following: "*Provided, however,* That all research con-

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tracted for, sponsored, cosponsored, or authorized under authority of this Act shall be provided for in such a manner that all information, uses, products, processes, patents, and other developments resulting from such research developed by Government expenditure will (with such exceptions and limitations, if any, as the Secretary may find to be necessary in the interest of national defense) be available to the general public: *And provided further*, That nothing contained herein shall be construed as to deprive the owner of any background patent relating thereto to such rights as he may have thereunder." and by inserting instead a period.

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

(k) Except for subsection (1), section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878) is repealed.

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

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

(n) The Resources Conservation and Recovery Act of 1976 (90 Stat. 2795) is amended—

(1) by repealing section 8001(c)(3) (42 U.S.C. 6981(c)(3); 90 Stat. 2831); and

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(2) by striking out, in section 8004(c)(2) (42 U.S.C. 6984(c)(2)) the second sentence, "notwithstanding section 8001(c)(3),".

(o) Section 12 of the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976 (15 U.S.C. 2511; 90 Stat. 1269) is repealed.

(p) Paragraph (r) of section 19 (as added by Public Law 95–238) of the Federal Nonnuclear Energy Research and Development Act of 1974, Public Law 93–577, as amended, Public Law 95–238, is repealed; subparagraph (g)4 of said section 19 is amended by striking "under section 9 of this Act" in the first sentence.

(q) Section 112(d)(2) of Public Law 95–39, enacted on June 3, 1977, is amended by striking "shall be governed by the provisions of section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 and".

(r) Section 408 of the Water Research and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1316) is repealed.

SEC. 8. (a) Sections 2, 4, and 5 of this Act will take effect upon enactment.

(b) Section 1 of this Act will take effect on the first day of the seventh month beginning after its enactment and will apply to patents in force as of that date or issued thereafter.

(c) Section 3 of this Act will take effect on the first day of the first fiscal year beginning on or after one calendar year

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after enactment. However, until section 3 takes effect, the Commissioner may credit the Patent and Trademark Office appropriation account in the Treasury of the United States with the revenues from collected reexamination fees, which will be available to pay the costs to the Office of reexamination proceedings.

(d) Any fee in effect as of the date of enactment of this Act will remain in effect until a corresponding fee established under section 41 of title 35, United States Code, or section 1113 of title 15, United States Code, takes effect.

(e) Fees for maintaining a patent in force will not be applicable to patents applied for prior to the date of enactment of this Act.

(f) Sections 6 and 7 of this Act will take effect on the first day of the seventh month beginning after its enactment. Implementing regulations may be issued earlier.

SEC. 9. The Commissioner of Patents and Trademarks shall report to Congress, within two years after the effective date of this Act, a plan to identify, and if necessary develop or have developed, computerized data and retrieval systems equivalent to the latest state of the art which can be applied to all aspects of the operation of the Patent and Trademark Office, and particularly to the patent search file, the patent classification system, and the trademark search file. The report shall specify the cost of implementing the plan, how

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rapidly the plan can be implemented by the Patent and Trademark Office, without regard to funding which is or which may be available for this purpose in the future.

SEC. 10. (a) Section 101 of title 17 of the United States Code is amended to add at the end thereof the following new language:

"A 'computer program' is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.".

(b) Section 117 of title 17 of the United States Code is amended to read as follows:

"**§ 117. Limitations on exclusive rights: Computer programs**

"Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

"(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

"(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

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"Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.".

Passed the House of Representatives September 29, 1980.

Attest: EDMUND L. HENSHAW, JR.,
Clerk.

By W. RAYMOND COLLEY,
Deputy Clerk.

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X ne PL 96-517

96th Congress, 2d Session Final Issue Part 1

Digest of Public General Bills and Resolutions

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facilitate the participation and advancement of women in such careers. Authorizes the establishment of a visiting women scientists program. Authorizes the Foundation to support activities to improve the availability and quality of public information concerning the importance of the participation of women in careers in science and technology.

Authorizes the Foundation to support activities of museums and science centers which demonstrate the potential to interest and involve women in science and technology. Authorizes the making of grants to be known as the National Research Opportunity Grants to specified women scientists to conduct scientific research in a field chosen by the recipient. Sets forth the terms and conditions of such grants. Authorizes the Foundation to make grants to individuals or academic institutions for full-time or part-time visiting professorships for women in science. Authorizes the Foundation to support demonstration project activities of individuals, public agencies, and private entities designed to encourage the employment and advancement of women in science, engineering, and technology.

Authorizes the Foundation to undertake or support a comprehensive science education program to increase the participation of minorities in science and technology and to initiate research at minority institutions. Requires the Director of the Foundation, with the assistance of the Committee on Equal Opportunities in Science and Technology, to prepare and submit to specified congressional Committees a report proposing a comprehensive program to promote minoirty participation in such fields.

Directs the President, with the assistance of the Director of the Office of Science and Technology Policy and the Director of the Foundation, to prepare and transmit to Congress: (1) a report proposing a comprehensive national policy and program for the promotion of equal opportunity for women and minorities in science and technology; and (2) a report proposing a comprehensive policy concerning the impacts of science and technology on women and miniorities.

Establishes within the Foundation a Committee on Equal Opportunities in Science and Technology to advise the Foundation concerning the implementation of this Act. Establishes two subcommittees of such Committee; the Subcommittee on Women in Science and Technology and the Subcommittee on Minorities in Science and Technology and the Subcommittee on Minorities in Science and Technology. Sets forth membership requirements for such Committee. Requires the Committee to report annually on its activities to the Director and requires the Director to submit such report to Congress with comments.

Requires the Director biennially to prepare and transmit to Congress and specified Federal official a report concerning the participation and status of women in science and technology, including an accounting and comparison by sex, race, and ethnic group, and by discipline, of the participation of women and men in scientific and technical positions.

Authorizes appropriations through fiscal year 1981 to carry out this Act to be taken from sums appropriated for the National Science Foundation.

05-15-80 Reported to Senate from the Committee on Labor and Human Resources with amendment, S. Rept. 96-713
06-23-80 Call of calendar in Senate
06-23-80 Measure considered in Senate
06-23-80 Measure passed Senate, amended
09-04-80 Measure called up by unanimous consent in House
09-04-80 Measure considered in House
09-04-80 Measure passed House, amended, in lieu of H. R. 7115
09-10-80 Conference scheduled in Senate
09-25-80 Conference scheduled in House
11-21-80 Conference report filed in House, H. Rept. 96-1474
11-21-80 Conference report filed in Senate, S. Rept. 96-1028
11-21-80 Senate agreed to conference report
12-02-80 House agreed to conference report
12-03-80 Measure enrolled in House
12-03-80 Measure enrolled in Senate
12-03-80 Measure presented to President
12-12-80 Public Law 96-516

✓**Public Law 96-517** Approved 12/12/80; H.R. 6933.

Amends the Patent and TraDemark laws of the United States to authorize an individual to: (1) cite to the Patent and Trademark Office prior art patents or publications which are pertinent to a claim of a later patent; and (2) request to reexamine a patent to determine whether such a prior patent or publication has any bearing on the patentability of any claim of such patent.

Requires the Commissioner of Patents within three months of such a request to make a determination as to whether the cited prior patent raises a substantial new question of the patentability of any claim of the later patent. Authorizes the Commissioner on his or her own initiative to make such a determination at any time. States that a determination that no new question is raised shall be final. Directs the Commissioner, upon determining that there is a new question of patentability, to order and conduct a reexamination. Requires that the patent owner be provided at least two months to file a statement on such question and that the person making the reexamination request be provided two months to respond to such statement.

Declares that the patent owner shall be provided an opportunity in any reexamination to amend any claim of the patent in order to distinguish the claim from the prior patent cited or in response to a decision adverse to the patentability of the claim. Authorizes the owner to appeal any adverse decision.

Directs the Commissioner, upon the conclusion of any reexamination or appeal proceeding, to issue and publish a certificate cancelling any unpatentable claim, confirming any valid claim, and incorporating any amended claim in the patent.

Revises the schedule of fees for Patent Office services. Directs the Commissioner to establish fees for all services and materials relating to patents and trademarks, including application and maintenance. Sets forth the level and schedule of payments for such fees and the procedure for their payment. Makes the revenues from such fees available to carry out the activities of the Patent and Trademark Office.

Sets forth the policy of Congress to use the patent system to promote the utilization and marketing of inventions developed under federally supported research and development 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 that such circumstances exist 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 a Federal agency and a small business firm or nonprofit organization including provisions: (1) to insure the rights of the Federal Government under this Act; (2) to provide that the agency shall have a nonexclusive, nontransferable, irrevocable and paid-up license to use the invention; (3) to prohibit a nonprofit organization from assigning rights to the invention without the approval of the Federal agency; (4) to prohibit such an organization, other than small business firms, from granting exclusive rights from the earlier of five years from the first commercial use of the invention or eight years from the date of invention; and (5) to require such organizations to use their royalties and earnings to support scientific research or education. Provides that the first commercial use with respect to a product of the invention shall not end the exclusive period for different subsequent products covered by the invention.

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.

Requires the head of a Federal agency to approve provisions of a funding agreement which require the licensing to third parties of inventions owned by the contractor. Sets forth terms and conditions under which such approval may be granted.

Empowers any Federal agency to require inventors or their assigns to grant licenses in order to: (1) achieve practical applica-

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tion of the invention in its field of use; (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.

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 subject invention or produced through the use of the subject 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 invention may be licensed.

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 small business firms be given preference in exclusive or partially exclusive licensing.

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

Exempts the Tennessee Valley Authority from the provisions of this Act.

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.

Directs the Commissioner of Patents and Trademarks to report to Congress within two years on a plan to identify and develop computerized data and retrieval systems to be applied to all aspects of the operation of the Patent and Trademark Office.

Sets forth the limitations on the exclusive rights of an owner of a computer program. States that no infringement takes places when copies or adaptions are made for archival purposes or as an essential step in the utilization of such program.

09-09-80 Reported to House from the Committee on the Judiciary with amendment, H. Rept. 96-1307 (Part I)
09-09-80 Referred to House Committee on Government Operations
09-23-80 Reported to House from the Committee on Government Operations with amendment, H. Rept. 96-1307 (Part II)
11-17-80 Measure called up under motion to suspend rules and pass in House
11-17-80 Measure considered in House
11-17-80 Measure passed House, amended
11-19-80 Referred to Senate Committee on the Judiciary
11-20-80 Measure called up by committee discharge in Senate
11-20-80 Measure considered in Senate
11-20-80 Measure passed Senate, amended
11-21-80 House agreed to Senate amendment
12-01-80 Measure enrolled in House
12-01-80 Measure enrolled in Senate
12-01-80 Measure presented to President
12-12-80 Public Law 96-517

Public Law 96-518 Approved 12/12/80; S.J. Res. 213.

Designates the Clinical Center of the National Institutes of Health located in Montgomery County, Maryland, as the Warren Grant Magnuson Clinical Center of the National Institutes of Health.

Directs the Committee on Rules and Administration to place appropriate markers or inscriptions at suitable locations within such center to commemorate and designate such building.

12-02-80 Measure called up by unanimous consent in Senate
12-02-80 Measure considered in Senate
12-02-80 Measure passed Senate
12-03-80 Measure called up by unanimous consent in House
12-03-80 Measure considered in House
12-03-80 Measure passed House
12-04-80 Measure enrolled in House
12-04-80 Measure enrolled in Senate
12-05-80 Measure presented to President
12-12-80 Public Law 96-518

Public Law 96-519 Approved 12/12/80; H.R. 6086.

Amends the Military Personnel and Civilian Employees' Claims Act of 1964 to provide for maximum payment by the United States of $40,000 in personal property claims by members of the uniformed services or civilian employees of the United States incident to evacuations from a foreign country after December 31, 1978.

Requires: (1) that the evacuation after December 31, 1978, was authorized by competent authority which was in response to political unrest or hostile acts, and that damage or loss resulted from such evacuation; or (2) that damage or loss resulted from acts of mob violence, terrorist attacks, or other hostile acts directed against the U.S. government or its officers or employees.

Sets forth the order and priority of payment in the event the claimant is deceased.

States that such claim must be submitted in writing within two years after it accrues, or within one year after enactment of this Act, whichever is later.

Requires each agency to issue regulations governing claims settlements. Prohibits further adjudication of specified claims settled under this Act, unless such claims have not been paid.

Subrogates the United States to any rights or claims the claimant may have against the foreign country in which the damage or loss occurred, upon payment of such claim.

States that no funds may be obligated or expended pursuant to this Act before fiscal year 1981, except to the extent provided in advance in appropriation Acts. Requires that any payments made pursuant to this Act before fiscal year 1981 be made from funds appropriated before the date of enactment of this Act.

03-27-80 Reported to House from the Committee on the Judiciary with amendment, H. Rept. 96-858
04-21-80 Measure called up under motion to suspend rules and pass in House
04-21-80 Measure considered in House
04-21-80 Measure passed House, amended
04-22-80 Referred to Senate Committee on the Judiciary
08-01-80 Reported to Senate from the Committee on the Judiciary, S. Rept. 96-882
10-01-80 Call of calendar in Senate
10-01-80 Measure considered in Senate
10-01-80 Measure passed Senate, amended
10-02-80 House disagreed to Senate amendments
12-01-80 Senate receded from its amendments
12-03-80 Measure enrolled in House
12-03-80 Measure enrolled in Senate
12-03-80 Measure presented to President
12-12-80 Public Law 96-519

Public Law 96-520 Approved 12/12/80; H.R. 8228.

Declares a specified portion of the Erie Basin in the Buffalo Harbor, New York, to be a nonnavigable water of the United States.

Prohibits any Federal project submitted for authorization for construction of new levees or modification of existing levees for flood control within the Rio Grande from Bernalillo, New Mexico, to Belen, New Mexico, from requiring the raising or modification of existing bridge structures within the project area to pass river flows in excess of that the bridges can now accommodate.

Declares a specified portion of the Trent River, in the State of North Carolina, to be nonnavigable waters of the United States.

09-30-80 Measure called up by unanimous consent in House
09-30-80 Measure considered in House
09-30-80 Measure passed House
09-30-80 Measure called up by unanimous consent in Senate
09-30-80 Measure considered in Senate
09-30-80 Measure passed Senate, amended
11-21-80 House agreed to Senate amendments

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Congressional Record

PROCEEDINGS AND DEBATES OF THE 96th CONGRESS, SECOND SESSION

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HISTORY OF BILLS AND RESOLUTIONS

HOUSE BILLS

H.R. 2—To require authorizations of new budget authority for Government programs at least every 5 years, to provide for review of Government programs every 5 years, and for other purposes.

Cosponsors added, 287.

H.R. 3—To amend the act to establish the Golden Gate National Recreation Area in the State of California, and for other purposes.

Cosponsors added, 10506.—Reported with amendments (H. Rept. 96-1024), 11639.—Debated, 11592.—Rules suspended. Amended and passed House, 11798.—Title amended, 11799.—Referred to Committee on Energy and Natural Resources, 12093.

H.R. 10—To authorize actions for redress in cases involving deprivations of rights of institutionalized persons secured or protected by the Constitution or laws of the United States.

Amended and passed Senate (in lieu of S. 10), 4192.—House disagreed to Senate amendment and asked for a conference. Conferees appointed, 5914.—Senate insisted on its amendment and agreed to a conference. Conferees appointed, 6170.—Conference report (H. Rept. 96-897) submitted in the House and agreed to, 8572, 10780.—Conference report submitted in the Senate and agreed to, 8749, 8929, 8955, 8961, 9184, 9176, 8960, 8962, 8964, 9238, 9383, 9387, 9394, 9403, 9578, 9579, 9584, 9594, 9598, 9600, 9980, 10007.—Examined and signed, 10975, 11073.—Presented to the President, 11526.—Approved [Pub. Law 96-247], 12817.

H.R. 20—To provide for the development of aquaculture in the United States, and for other purposes.

Amendment, 24414.—Rules suspended. Amended and passed House, 24597.—Laid on the table (S. 1650 passed in lieu), 24607.

H.R. 23—To provide for military registration and mobilization assessment, and for other purposes.

Cosponsors added, 2192, 3661.

H.R. 24—To improve budget management and expenditure control by revising certain provisions relating to the Comptroller General and the Inspectors General of the Departments of Energy and Health, Education, and Welfare, and for other purposes.

Committee discharged. Amended and passed Senate (in lieu of S. 1878), 4288.—House concurs in Senate Amendment, 5911.—Amendments, 5912, 5913.—Examined and signed, 6676, 6777.—Presented to the President, 7200.—Approved [Public Law 96-226], 8039.

H.R. 27—To amend the National School Lunch Act and the Child Nutrition Act of 1966 to extend the authorizations of appropriations contained in such acts.

Reported with amendment (H. Rept. 96-1030), 11639.

H.R. 30—To repeal the Foreign Intelligence Surveillance Act of 1978.

Cosponsors added, 7201.

H.R. 34—To amend the Internal Revenue Code of 1954 to allow a credit against income tax to individuals for certain expenses of elementary and secondary education.

Cosponsors added, 19339.

H.R. 35—To amend the Internal Revenue Code of 1954 to provide a credit against income tax to individuals for certain expenses incurred in higher education.

Cosponsors added, 19339.

H.R. 39—To provide for the designation and conservation of certain public lands in the State of Alaska, including the designation of units of the National Park, National Wildlife Refuge, National Forest, National Wild and Scenic Rivers, and National Wilderness Preservation Systems, and for other purposes.

Amendments, 12112, 12497, 12798, 18960, 18961, 18993, 18994, 18996, 18999, 19008, 19009, 19031, 19034, 19199, 19218, 21190, 21191, 21201, 21257, 21310, 21546, 21547, 21585, 21587, 21592, 21596, 21877.—Debated, 18712, 18713, 18745, 18748, 18751, 18959, 19166, 19174, 19199, 19543, 19544, 19718, 19755, 21185, 21188, 21310, 21570, 21577, 21583, 21585, 21871, 21872.—Amended and passed Senate, 21891.—House concurs in Senate amendment, 29260.—Examined and signed, 31181, 31394.—Approved [Public Law 96-487], 31500.—Presented to the President, 31620.

H.R. 54—To amend the Federal Food, Drug, and Cosmetic Act to provide that drugs will be regulated under the act solely to assure their safety, to promote the efficient and fair treatment of new drug applications, and for other purposes.

Cosponsors added, 27166.

H.R. 76—To amend the Congressional Budget Act of 1974 to require the Congress to establish, for each fiscal year, a regulatory budget for each Federal agency which sets the maximum costs of compliance with all rules and regulations promulgated by that agency, and for other purposes.

Cosponsors added, 636, 13260, 25003.

H.R. 85—To provide a comprehensive system of liability and compensation for oilspill damage and removal costs, and for other purposes.

Reported with amendment (H. Rept. 96-172, pt. II), 11639.—Reported with amendment (H. Rept. 96-172, pt. III), 15897.—Made special order H. Res. 772, 23566.—Amendments, 23567, 24915, 25415, 25654, 25894, 26220, 26369, 26373, 26375, 26385-26389.—Debated, 26369, 26194.—Amended and passed House, 26392.—Referred to Committee on Environment and Public Works, 28259.

H.R. 100—To prohibit discrimination in insurance on the basis of race, color, religion, sex, or national origin.

Cosponsors added, 22306, 19462, 29298.

H.R. 109—To amend the Internal Revenue Code of 1954 to provide a basic $5,000 exemption from income tax, in the case of an individual or a married couple, for amounts received as annuities, pensions, or other retirement benefits.

Cosponsors added, 15665.

H.R. 113—To amend title II of the Social Security Act so as to remove the limitation upon the amount of outside income which an individual may earn while receiving benefits thereunder.

Cosponsors added, 15665.

H.R. 118—To amend the Agriculture Act of 1949 to require that the proclamation made by the Secretary of Agriculture with respect to the national program acreage for feed grains to be made no later than October 15 of each year for crops harvested in the next succeeding calendar year.

Reported with amendment (H. Rept. 96-1053), 12572.—Rules suspended. Amended and passed House, 13035.—Title amended, 13038.—Referred to Committee on Agriculture, Nutrition, and Forestry, 13310.

H.R. 126—To permit the National Park Service to accept privately donated funds and to expend such funds on property on the National Register of Historic Places.

From the Committee on Energy and Natural Resources. Reported with amendment (S. Rept. 96-625), 5343.—Amended and passed Senate, 5902.—House concurs in Senate amendments with amendments, 9656.—Senate concurs in House Amendment to Senate amendments, 10109.—Examined and signed, 10220, 10342.—Presented to the President, 10505.—Approved [Public Law 96-244], 11778.

H.R. 135—To amend title 5, United States Code, to permit present and former civilian employees of the U.S. Government to receive civil service annuity credit for retirement purposes for all their periods of service to the United States (Federal Government, uniformed services and District of Columbia government) including such service which was covered by social security, regardless of eligibility for social security benefits.

Cosponsors added, 2192, 3661, 6460, 9165, 13260.

H.R. 154—To incorporate the Gold Star Wives of America.

Cosponsors added, 2805, 5769, 7429, 8296, 11863, 14833, 16639, 17809, 20993, 25893.—Reported with amendment (H. Rept. 96-1397), 27500.—Rules suspended. Amended and passed House, 29906.—Proceedings vacated. Laid on the table (S1179 passed in lieu), 29909.

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H.R. 6919—To rescind certain appropriations provided for the purchase of furniture by Federal departments, and for other purposes.

Mr. Maguire; Committee on Appropriations, 6459.—Cosponsors added, 7429, 7762, 12723, 13538, 14995.

H.R. 6920—To amend the Trade Expansion Act of 1962 in order to revoke the President's authority to impose any tax or fee on imports of petroleum and petroleum products into the United States without first being specifically authorized to do so by the Congress.

Mr. Minish; Committee on Ways and Means, 6459.

H.R. 6921—To amend the Uniform Time Act of 1966 to change the date each year on which daylight savings time begins from the last Sunday in April to the last Sunday in February.

Mr. Ottinger; Committee on Interstate and Foreign Commerce, 6459.—Cosponsors added, 7762.

H.R. 6922—To provide mandatory social security coverage for Members of Congress and the Vice President.

Mr. Pickle; Committee on Ways and Means, 6459.

H.R. 6923—To authorize common carriers to establish special rates for transportation of certain handicapped individuals accompanied by their guide dogs and to authorize guide dogs accompanying their handicapped masters to enter public buildings.

Mr. Richmond; Committee on Public Works and Transportation, 6459.

H.R. 6924—To extend for 3 fiscal years the authorization of appropriations for the administration of the Controlled Substances Act, and for other purposes.

Mr. Waxman, Mr. Maguire, Mr. Walgren, Mr. Gramm, Mr. Leland, and Mr. Carter; Committee on Interstate and Foreign Commerce, 6459.

H.R. 6925—To amend title 5, United States Code, to make Inauguration Day a legal public holiday.

Mr. Wydler; Committee on Post Office and Civil Service, 6459.

H.R. 6926—For the relief of Richard A. Gamble.

Mr. Biaggi; Committee on the Judiciary, 6459.

H.R. 6927—For the relief of Mary F. Derocher.

Mr. Bonior of Michigan; Committee on the Judiciary, 6459.

H.R. 6928—To amend the Truth in Lending Act to encourage cash discounts.

Mr. Annunzio and Mr. Wylie; Committee on Banking, Finance and Urban Affairs, 6778.—Cosponsors added, 8296.

H.R. 6929—To amend the Public Health Service Act to make uniform the capitation grant requirements for schools of optometry.

Mr. Dannemeyer; Committee on Interstate and Foreign Commerce, 6778.

H.R. 6930—To expedite the conversion by certain existing electric powerplants from the use of oil to coal or another alternate fuel, and to conserve oil and natural gas used by other powerplants, and to assist the ratepayers of the electric utilities involved in reducing the costs of conversion and insuring that petroleum and natural gas costs are reasonable.

Mr. Staggers, Mr. Dingell, Mr. Rahall, Mr. Bevill, Mr. Applegate, Mr. Kogovsek, Mr. Ertel, Mr. Wampler, Mr. Price, Mr. Clinger, Mr. McDade, Mr. Mollohan, Mr. Williams of Ohio, Mr. Hubbard, Mr. Murtha, Mr. Young of Alaska, Mr. Buchanan, Mr. Murphy of Pennsylvania, and Mr. Bailey; Committee on Interstate and Foreign Commerce, 6778.—Cosponsors added, 8394.

H.R. 6931—To amend the Solid Waste Disposal Act to provide for the creation of an inventory of hazardous waste sites; to clean up dangerous inactive sites; to establish provisions for the management of inactive hazardous waste sites; to provide for the liability of hazardous waste generators for injuries caused by their hazardous waste; to impose fees on such generators to be used for assisting States in the management of hazardous waste and for compensating persons for damages resulting from hazardous waste where recovery is not possible from the generator; to provide for subpena authority respecting waste; to provide funds to State attorneys general for enforcement of the Solid Waste Disposal Act; to strengthen the criminal penalties in such act; and for other purposes.

Mr. Eckhardt; Committee on Interstate and Foreign Commerce, 6778.

H.R. 6932—To amend title 38, United States Code, to increase the rate of compensation payable to veterans who have lost or lost the use of both upper extremities as the result of a service-connected disability.

Mr. Hammerschmidt; Committee on Veterans' Affairs, 6778.

H.R. 6933—Entitled: "To Amend the Patent and Trademark Laws".

Mr. Kastenmeier, Mr. Rodino, and Mr. Railsback; Committee on the Judiciary, 6778.—Reported (H. Rept. 96-1307), 24914.—Reported with amendment (H. Rept. 96-1307, pt. II), 26819.—Amendments, 28526.—Rules suspended. Amended and passed House, 29890.—Referred to Committee on the Judiciary, 30197.—Amended and passed Senate, 30360.—Amendment, 30360.—House concurs in Senate amendment, 30555.—Examined and signed, 31180, 31394.—Presented to the President, 31621.—Approved [Public Law 96-517], 34413.

H.R. 6934—Entitled: "The Computer Software Copyright Act of 1980".

Mr. Kastenmeier; Committee on the Judiciary, 6778.

H.R. 6935—To exempt from Federal income tax certain subsistence allowances received by State police officers before January 1, 1978.

Mr. Minish; Committee on Ways and Means, 6778.—Cosponsors added, 7429.

H.R. 6936—To prohibit the Secretary of Energy from promulgating any Federal emergency energy conservation plan which would restrict recreational boating.

Mr. Paul; Committee on Interstate and Foreign Commerce, 6778.—Cosponsors added, 8095, 8296, 8653, 9101, 9723, 11528.

H.R. 6937—To amend the Hazardous Materials Transportation Act to authorize appropriations for fiscal years 1981 and 1982, and for other purposes.

Mr. Staggers and Mr. Johnson of California; Committees on Interstate and Foreign Commerce; Public Works and Transportation, 6778.

H.R. 6938—To amend the Independent Safety Board Act of 1974 to authorize appropriations for fiscal years 1981 and 1982, and for other purposes.

Mr. Staggers and Mr. Johnson of California; Committees on Interstate and Foreign Commerce; Public Works and Transportation, 6778.

H.R. 6939—To amend the Internal Revenue Code of 1954 to allow individuals under age 55 to elect the one-time exclusion of gain from sale of principal residence.

Mr. Traxler; Committee on Ways and Means, 6778.

H.R. 6940—To amend the Federal Food, Drug, and Cosmetic Act to strengthen the authority under that act to assure the safety and nutrition of infant formulas.

Mr. Waxman, Mr. Gore, Mr. Mottl, Mr. Carter, Mr. Preyer, Mr. Maguire, Mr. Walgren, Ms. Mikulski, Mr. Gramm, Mr. Leland, Mr. Shelby, and Mr. Murphy of New York; Committee on Interstate and Foreign Commerce, 6779.—Cosponsors added, 10506.—Reported with amendment (H. Rept. 96-936), 10789.—Debated, 11787.—Rules suspended. Amended and passed House, title amended, 11797.—Referred to Committee on Labor and Human Resources, 12094.—Committee discharged. Amended and passed Senate, 24514.—House concurs in Senate amendment, 24815.—Examined and signed, 25519, 25652.—Presented to the President, 26218.—Approved [Public Law 96-359], 27798.

H.R. 6941—To amend section 4067 of the Revised Statutes to define further the circumstances under which certain aliens within the United States may be treated as alien enemies.

Mr. Whitehurst; Committee on the Judiciary, 6779.—Cosponsors added, 7429, 8095, 8865, 9101, 13260, 20115, 22748, 24006.

H.R. 6942—To authorize appropriations for the fiscal year 1981 for international security and development assistance, the Peace Corps, and refugee assistance, and for other purposes.

Mr. Zablocki, Mr. Fascell, Mr. Diggs, Mr. Rosenthal, Mr. Hamilton, Mr. Wolff, Mr. Bingham, Mr. Yatron, Mr. Solarz, Mr. Bonker, Mr. Pease, Mr. Barnes, Mr. Gray, Mr. Hall of Ohio, Mr. Wolpe, Mr. Buchanan, and Mr. Pritchard; Committee on Foreign Affairs, 6779.—Reported (H. Rept. 96-884), 8094.—Reported (H. Rept. 96-884, part II), 9722.—Made special order (H. Res. 662), 10505.—Amendments, 11863, 12006, 12535, 12537, 12548, 12554, 12557, 12558, 12563, 12723, 12837, 12839, 12841, 13260, 13460, 13462, 13465, 13467, 13481, 13485, 13486, 13495, 13496, 13500, 13501, 13503, 13504, 13506, 13507-13509, 13511-13513, 13519.—Debated, 12238, 12534, 12837, 13459.—Amended and passed House, 13522.—Ordered placed on calendar, 13768.—Amended and passed Senate (in lieu of S. 2714), 15098.—Amendments, 15098.—Senate insisted on its amendments and asked for a conference. Conferees appointed, 15103.—House disagreed to Senate amendments and agreed to a conference. Conferees appointed, 15866.—Conference report (H. Rept. 96-1471) submitted in the House and agreed to, 30453, 31536.—Conference report submitted in the Senate and agreed to, 31681.—Examined and signed, 31946, 32436.—Presented to the President, 32677.—Approved [Public Law, 96-533], 34413.

H.R. 6943—To amend the Motor Vehicle Information and Cost Savings Act to benefit consumers by encouraging automotive fuel conservation through extending the carryover and carryback periods for fuel economy credits earned by

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were partially responsible for that difference in Japan. His summary was particularly thought-provoking, Mr. Speaker; and therefore, I want to quote it in toto: "This is the real lesson Japan has to offer us: Not that we should impose government policy on industry, but that coordinated industrial policy achieved as a result of searching for meaningful consensus can heighten American productivity and competitiveness." In other words, a reindustrialization of America through the cooperative efforts of government, business, and labor.

Despite his country's solid productivity performance, Mr. Werner Walbrol, executive director of the German-American Chamber of Commerce, clearly indicated that West Germany had no intention of resting on its laurels. The West German Government has made productivity improvement a top priority goal and is encouraging thorough labor-management cooperation. He stressed the importance of the investment climate and mentioned that German tax polices were designed to encourage increased savings and investments, which is a lesson this country could emulate.

Surprisingly, both Mr. Tanaka and Mr. Walbrol testified that both environmental and safety regulations in Japan and West Germany were as tough, if not more so, as their American counterparts. Mr. Walbrol went on to wryly point out that West Germany had the equivalents of the Clean Air Act and Clean Water Act long before the environment became an issue in the United States.

These hearings have reconfirmed my belief that this country must swiftly design and implement a national plan on productivity. Without a meaningful plan and without cooperation from all parties, the competitiveness of U.S. industry will continue to decline; and the simultaneous battle against inflation and economic stagnation will be lost. If the administration refuses to take the lead, the Congress must stand ready to provide that necessary leadership.●

THE PATENT TERM RESTORATION ACT OF 1980

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin (Mr. KASTENMEIER) is recognized for 15 minutes.

● Mr. KASTENMEIER. Mr. Speaker, I am pleased to report that on July 24 the Subcommittee on Courts, Civil Liberties and the Administration of Justice, in reporting H.R. 6933, took what I believe to be a major step in improving the workings of our patent system. Although this session is drawing to a close, the bipartisan cooperation and recognition within the subcommittee that a strong and modern patent system is an essential prerequisite to restoring innovation in America leaves me optimistic that this measure can be enacted into law before Congress adjourns sine die.

Our work to improve the patent system so it provides the incentives to innovation our Founding Fathers envisioned will continue next Congress. Hearings on H.R. 6933 and other patent related legislation identified additional areas in need of legislation and oversight which the subcommittee will expeditiously pursue next Congress.

One area which the press of time made impossible to thoroughly review and process in conjunction with H.R. 6933 concerns the Patent Term Restoration Act of 1980, which I am today introducing for comment. The concept of the bill is: Where Federal premarket testing and review requirements delay commercialization of a patented product, the patent term will be extended by a period equal to the regulatory delay. The proposal was offered as an amendment to H.R. 6933 during subcommittee markup. However, when it appeared that an extensive debate over the wisdom of the amendment was likely, the proponents graciously withdrew it, and I agreed to introduce it separately for later consideration.

The commercial exclusivity period provided by a patent has been substantially reduced for products subject to Federal premarket testing and regulatory review requirements. Over the past several years, Congress has enacted major laws requiring increasingly stringent testing and regulatory review of drugs, medical devices, pesticides, and other chemical substances. These laws have provided important major protections to our citizens and the environment. However, witnesses before the subcommittee argued that there has been an unintended effect of lessening the effective patent life since products covered by such laws may not be marketed until they have been tested and reviewed in accordance with the statutory requirements.

It is alleged that the loss of patent life has been substantial in some industries. For instance, we are told in 1962 it took about 2 years and $4 million to bring a new pharmaceutical product from discovery to marketing; now it takes 8 years and $50 million. This means that for the average new drug, the patent term is almost half over before the inventor can begin to market it. An EPA study in 1977 estimated there may be only 12 or so years left on a patent by the time a pesticide manufacturer has established through long term testing that a pesticide is safe enough to be registered for commercial marketing.

Witnesses before our subcommittee discussed the adverse effect such patent term loss has had on research and innovation. They argued that the rewards for the innovator are declining at the very time research costs are soaring both in terms of dollars and time. Testing techniques have become more time consuming and expensive, and new products are more illusive and difficult to develop. Witnesses stated that in the pharmaceutical field the rate of new pharmaceutical entities introduced has decreased by 62 percent in the last two decades.

It is important, however, to assure that there be a full and fair examination of the arguments for and against this proposal. I know that consumer groups, in particular, may have constructive comments on the measure. For that reason, as chairman of the Courts, Civil Liberties and Administration of Justice Subcommittee, I intend to hold thorough hearings on the legislation early next Congress to assure a thorough understanding of all its ramifications before proceeding further, and I particularly welcome my colleagues' comments and discussions on the legislation.

I insert a section-by-section analysis of the bill at the conclusion of my remarks:

SECTION-BY-SECTION ANALYSIS OF PATENT TERM RESTORATION ACT

Overview—The bill compensates a patent holder for time lost in which to commercialize the patented product because of Federal premarket testing or regulatory review requirements. This is accomplished by extending the patent by a period of time equal to the time spent doing the testing and undergoing the regulatory review. In no case may the patent be extended by more than 7 years. A product may receive a patent extension only if the relevant regulatory agency permits it to be marketed. Patented products eligible for the extension are human drugs and biologicals, animal drugs and biologicals, food additives, color additives, pesticides, other chemical substances, and medical devices.

The extension applies only to the specific product which is subject to the testing and review requirements. This means that if a single patent covers a generic chemical class, the extension applies only to the chemical entity which has undergone the regulatory review. Moreover, the extension is limited to the particular statutory use of the chemical for which the review was required. For example, a chemical may be used as a drug, and it may also be used in a cosmetic. Because the product does not have to undergo premarket testing and review for the cosmetic use, the patent extension would apply to the chemical when it was used as a drug but not as a cosmetic.

A patent holder obtains the extension by notifying the Commissioner of Patents that his or her patented product has just undergone premarket testing and regulatory review (this is called a "regulatory review period" in the bill). The notice tells the Commissioner how long the review period has lasted. The Commissioner then issues a certificate extending the patent by a period equal to the regulatory review period.

Following is a section by section explanation of the bill.

Section 1.—Section 1 provides that the act will be called the Patent Term Restoration Act.

Section 2—Section 2 contains the Congressional findings and policy. They include findings relating to the importance of the patent system to provide incentives for investment in innovation and new product development. The findings recognize the importance of Federal health and environment laws, but also note that the premarket testing and regulatory review required under such laws may substantially reduce the period of commercial exclusivity for patented products. The Congressional policy is that the term of patents on products subjects to premarket review and testing requirements should be extended to compensate for delays in commercialization resulting from such requirements.

Section 3 adds a new section, section 155, to Title 35 of the U.S. Code. The new section 155 contains three subsections as follows:

Subsection (a)—Subsection (a) provides that a patent applicable to a product subject to a regulatory review period, or a patent applicable to a process for use of such a product, may be extended by a period of time equal to the regulatory review period. In order to obtain the extension, three conditions must be met. First, the patentee must give notice to the Commissioner of Patents. Second, the regulatory review process must have resulted in the removal of restrictions on marketing the product commercially.

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Third, the patent must not have expired before the Commissioner receives the required notice.

The subsection limits the extension to the specific product subject to the regulatory review period and to the statutory use for which review was required.

In no event may the patent be extended for more than 7 years.

Subsection (b)—Subsection (b)(1) spells out what must be included in the notice to the Commissioner. The notice must be given to the Commissioner within 90 days after the regulatory review period has ended. The notice must state the date on which the regulatory review period began and ended; it must identify the product and use subject to the regulatory review period; it must contain a statement that the restrictions on marketing have been removed; and it must identify the particular claim of the patent to which the extension applies and how long the extension should be.

Subsection (b)(2) requires the Commissioner to publish the information received in the notice in the Official Gazette of the Patent and Trademark Office.

Subsection (b)(3) requires the Commissioner to issue a certificate to be recorded in the official file of the patent spelling out the details of the extension.

Subsection (b)(4) provides that any extension shall be revoked by the Commissioner if the person subject to the regulatory review period is convicted of submitting false or fraudulent data to obtain the regulatory approval.

Subsection (c)—Subsection (c) defines the products eligible for extension and it defines the regulatory review period for those products.

Products covered are human drugs, animal drugs, food additives, color additives, human or veterinary biological products, pesticides, chemical substances or mixtures, and medical devices.

The following is an explanation of the regulatory review period for each of the products:

Human drug or biological—The regulatory review period begins on the date the patentee submits an investigational new drug application to the FDA, and it ends on the date FDA approves the drug or biological.

Animal drug—The period begins on the date the patentee submits an investigational new drug application to FDA, and it ends on the date FDA approves the drug.

Veterinary biological—The period begins on the date the patentee asks the USDA for permission to begin testing, and it ends on the date USDA approves the biological.

Food additive—The period begins on the date the patentee initiates a major health or environmental effects test on the food additive, and it ends on the date FDA issues a regulation approving the food additive.

Color additive—The period begins on the date the patentee begins a major health or environmental effects test on the additive, and it ends on the data FDA issue a regulation approving the additive.

Pesticide—The period begins on the earlier of the date the patentee initiates a major health or environmental effects test, applies for an experimental use permit, or applies for registration, and it ends on the date EPA registers the pesticide.

Chemical substance or mixture—If EPA has issued a testing rule for the substance or mixture, the regulatory review period begins on the date the patentee begins the required testing. If no testing rule has been issued, then the regulatory review period begins on the date the patentee either submits a premanufacture notice or begins a major health or environmental effects test. The period ends on the date the substance or mixture may be legally manufactured for commercial purposes.

If a patent has not been granted at the time the regulatory review period begins, then the extension period is measured from the time the patent is granted until the end of the regulatory review period. If a product is undergoing regulatory review at the time the bill is enacted, then the regulatory review period will be considered to have started on the effective date of the bill.●

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mrs. SNOWE (at the request of Mr. RHODES), for August 20, 1980, on account of attending the funeral of former Governor Longley.

Mr. EMERY (at the request of Mr. RHODES), for August 20, 1980, on account of attending the funeral of former Governor Longley.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Member (at the request of Mr. LEACH of Iowa) to revise and extend his remarks and include extraneous material:)

Mr. COLEMAN, for 30 minutes, August 20, 1980.

(The following Members (at the request of Mr. WALGREN) to revise and extend their remarks and include extraneous material:)

Mr. GONZALEZ, for 15 minutes, today.
Mr. ANNUNZIO, for 5 minutes, today.
Mr. DRINAN, for 5 minutes, today.
Mr. KOSTMAYER, for 5 minutes, today.
Mr. COTTER, for 5 minutes, today.
Mr. LAFALCE, for 20 minutes, today.
Mr. KASTENMEIER, for 15 minutes, today.

Mrs. COLLINS of Illinois, for 60 minutes, August 20, 1980.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. SYMMS, immediately preceding the vote on the Hance amendment to the bill H.R. 7583 in the Committee of the Whole today.

Mr. SYMMS, in favor of the Erlenborn amendment, immediately after the remarks of Mr. ERLENBORN.

Mr. RUDD and Mr. ALBOSTA, to revise and extend their remarks in support of the Hance amendment prior to its adoption.

Mr. DORNAN, in support of the Hance amendment to H.R. 7583, immediately following the remarks of Mr. HANCE.

(The following Members (at the request of Mr. LEACH of Iowa) and to include extraneous matter:)

Mr. YOUNG of Florida in five instances.
Mr. MCCLOSKEY in two instances.
Mr. RHODES.
Mr. BROOMFIELD in two instances.
Mr. HYDE.
Mr. WAMPLER.
Mr. GINGRICH.
Mr. PAUL in two instances.
Mr. BEARD of Tennessee in two instances.
Mr. LENT.
Mr. COUGHLIN in two instances.
Mr. BEREUTER.
Mr. DERWINSKI in three instances.
Mr. FINDLEY.
Mr. COLEMAN.
Mr. BOB WILSON in three instances.
Mr. DORNAN in three instances.
Mr. LEWIS.
Mr. SYMMS.
Mr. DANNEMEYER.
Mr. STANTON.
Mr. WHITEHURST.

(The following Members (at the request of Mr. WALGREN) and to include extraneous matter:)

Mr. ROE.
Mr. WALGREN in two instances.
Mr. KILDEE.
Mr. ASPIN.
Mr. BOWEN.
Mr. NOLAN.
Mr. HEFTEL.
Mr. NOWAK.
Mr. CAVANAUGH.
Mr. CONYERS.
Mr. WAXMAN.
Mr. STOKES in two instances.
Mr. MURTHA.
Mr. MAGUIRE.
Mr. LEATH of Texas.
Mr. ROSENTHAL.
Mr. LLOYD.
Mr. BEARD of Rhode Island.
Mr. ALBOSTA.
Mr. PEASE.
Mr. LAFALCE.
MTS. SPELLMAN.
Mr. AKAKA.
Mrs. COLLINS of Illinois.
Mr. SANTINI in two instances.
Mr. ST GERMAIN.
Mr. ROYBAL in two instances.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 762. An act to permit the vessel *Scuba King* to be documented for use in the fisheries and coastwise trade of the United States; to the Committee on Merchant Marine and Fisheries.

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 1863. An act to authorize the Secretary of Commerce to charter the NS *Savannah* to Patriots Point Development Authority, an agency of the State of South Carolina.

ENROLLED JOINT RESOLUTION SIGNED

Mr. NEDZI, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a joint resolution of the House of the following title which was thereupon signed by the Speaker:

H.J. Res. 589. Joint resolution providing additional program authority for the Export-Import Bank.

ADJOURNMENT

Mr. WOLFF. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 7 o'clock and 43 minutes p.m.), the the House adjourned until tomorrow, Wednesday, August 20, 1980, at 10 a.m.

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no further requests for time. I yield back the balance of my time.

Mr. HORTON. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from North Carolina (Mr. FOUNTAIN) that the House suspend the rules and pass the bill, H.R. 7893, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. FOUNTAIN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the bill, H.R. 7893, just considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

AMENDING THE PATENT AND TRADEMARK LAWS

Mr. KASTENMEIER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 6933) to amend the patent and trademark laws, as amended.

The Clerk read as follows:

H.R. 6933

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 35 of the United State Code, entitled "Patents", is amended by adding after chapter 29 the following new chapter 30:

"Chapter 30—PRIOR ART CITATIONS TO OFFICE AND REEXAMINATION OF PATENTS

"Sec. 301. Citation of prior art.
"Sec. 302. Request for reexamination.
"Sec. 303. Determination of issue by Commissioner.
"Sec. 304. Reexamination order by Commissioner.
"Sec. 305. Conduct of reexamination proceedings.
"Sec. 306. Appeal.
"Sec. 307. Certificate of patentability, unpatentability, and claim cancellation.

"§ 301. Citation of prior art

"Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

"§ 302. Request for reexamination

"Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

"§ 303. Determination of issue by Commissioner

"(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and at any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

"(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

"(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

"§ 304. Reexamination order by Commissioner

"If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

"§ 305. Conduct of reexamination proceedings

"After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

"§ 306. Appeal

"The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

"§ 307. Certificate of patentability, unpatentability, and claim cancellation

"(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

"(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.".

SEC. 2. Section 41 of title 35, United States Code, is amended to read as follows:

"§ 41. Patent fees

"(a) The Commissioner of Patents will establish fees for the processing of an application for a patent, from filing through disposition by issuance or abandonment, for maintaining a patent in force, and for providing all other services and materials related to patents. No fee will be established for maintaining a design patent in force.

"(b) By the first day of the first fiscal year beginning on or after one calendar year after enactment of this Act, fees for the actual processing of an application for a patent, other than for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 25 per centum of the estimated average cost to the Office of such processing. By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for the processing of an application for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 50 per centum of the estimated average cost to the Office of such processing.

"(c) By the fifteenth fiscal year following the date of enactment of this Act, fees for maintaining patents in force will recover 25 per centum of the estimated cost to the Office, for the year in which such maintenance fees are received, of the actual processing all applications for patents, other than for design patents, from filing through disposition by issuance or abandonment. Fees for maintaining a patent in force will be due three years and six months, seven years and six months, and eleven years and six months after the grant of the patent. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such six-month grace period the late payment of an applicable maintenance fee.

"(d) By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for all other services or materials related to patents will recover the estimated average cost to the Office of

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performing the service or furnishing the material. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $50.

"(e) The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.

"(f) Fees will be adjusted by the Commissioner to achieve the levels of recovery specified in this section; however, no patent application processing fee or fee for maintaining a patent in force will be adjusted more than once every three years.

"(g) No fee established by the Commissioner under this section will take effect prior to sixty days following notice in the Federal Register.".

SEC. 3. Section 42 of title 35, United States Code, is amended to read as follows:

"§ 42. Patent and Trademark Office funding

"(a) All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.

"(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States, the provisions of section 725e of title 31, United States Code, notwithstanding.

"(c) Revenues from fees will be available to the Commissioner of Patents to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office.

"(d) The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.".

SEC. 4. Section 154 of title 35, United States Code, is amended by deleting the word "issue".

SEC. 5. Section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113), is amended to read as follows:

"§ 31. Fees

"(a) The Commissioner of Patents will establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. Fees will be set and adjusted by the Commissioner to recover in aggregate 50 per centum of the estimated average cost to the Office of such processing. Fees for all other services or materials related to trademarks and other marks will recover the estimated average cost to the Office of performing the service or furnishing the material. However, no fee for the filing or processing of an application for the registration of a trademark or other mark or for the renewal or assignment of a trademark or other mark will be adjusted more than once every 3 years. No fee established under this section will take effect prior to sixty days following notice in the Federal Register.

"(b) The Commissioner may waive the payment of any fee for any service or material related to trademarks or other marks in connection with an occasional request made by a department or agency of the Government, or any officer thereof. The Indian Arts and Crafts Board will not be charged any fee to register Government trademarks of genuineness and quality for Indian products or for products of particular Indian tribes and groups.".

SEC. 6. Title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 37 the following new chapter 38:

"Chapter 38—THE GOVERNMENT PATENT POLICY ACT OF 1980

"Sec. 381. Title.

"SUBCHAPTER I—CONTRACT INVENTIONS

"Sec. 382. Contract inventions; reporting.
"Sec. 383. Allocation of rights—small businesses and nonprofit organizations.
"Sec. 384. Allocation of rights—other contractors.
"Sec. 385. Contractor license.
"Sec. 386. Minimum Government rights.
"Sec. 387. March-in rights.
"Sec. 388. Deviation and waiver.
"Sec. 389. Transfer of rights to contractor employees.
"Sec. 390. Regulations and standard patent rights clause.

"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"Sec. 391. Employee inventions.
"Sec. 392. Reporting of inventions.
"Sec. 393. Criteria for the allocation of rights.
"Sec. 394. Presumptions.
"Sec. 395. Review of agency determinations.
"Sec. 396. Reassignment of rights.
"Sec. 397. Incentive awards program.
"Sec. 398. Income sharing from patent licenses.
"Sec. 399. Regulations.

"SUBCHAPTER III—LICENSING OF FEDERALLY-OWNED INVENTIONS

"Sec. 400. Covered inventions.
"Sec. 401. Exclusive or partially exclusive licenses.
"Sec. 402. Minimum Government rights.
"Sec. 403. March-in rights.
"Sec. 404. Regulations.

"SUBCHAPTER IV—MISCELLANEOUS

"Sec. 405. Patent enforcement suits and right of interventions.
"Sec. 406. Background rights.
"Sec. 407. Notice, hearing, and judicial review.
"Sec. 408. Relationship to other laws.
"Sec. 409. Authority of Federal agencies.
"Sec. 410. Responsibilities of the Secretary of Commerce.
"Sec. 411. Definitions.

"SEC. 381. This chapter will be known as the 'Government Patent Policy Act of 1980'.

"SUBCHAPTER I—CONTRACT INVENTIONS

"§ 382. Contract inventions; reporting

"(a) This title applies to 'contract inventions', which in this Act are inventions made in the course of or under Federal contracts.

"(b) Every contractor will provide the responsible agency with timely written reports on each contract invention containing:

"(1) a comprehensive technical disclosure of the invention, and

"(2) a list of each country, if any, in which the contractor elects to file a patent application on the invention;

The Government neither will publish nor release these reports until the contractor or the Government has had a reasonable time to file patent applications or one year has passed since receipt of the disclosure required by subsection (b)(1) of this section, whichever is earlier, the Government also will so withhold such disclosure from other reports or records.

"(c) If the responsible agency determines that the contractor has unreasonably failed to file reports as required by subsection (b) of this section as to a contract invention, the contractor may be deprived of any or all the rights it otherwise would have under this subchapter pertaining to such contract invention.

"§ 383. Allocation of rights—small businesses and nonprofit organizations

"(a) A contractor that is a small business or a nonprofit organization will acquire title to its contract invention in each country it lists under section 382(b)(2) in which it files a patent application within a reasonable time. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

"(b) The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

"§ 384. Allocation of rights—other contractors

"(a) A contractor that is not a small business or a nonprofit organization shall provide to the responsible agency, within four and one-half years from the filing under section 382(b) of a report disclosing a contract invention, a list or lists of each field of use in which the contractor intends to commercialize the invention or otherwise achieve public use of the invention; but no such list shall be required for contract inventions on which the contractor did not elect to file any patent application. During such four and one-half year period the contractor shall hold temporary title to the contract invention, subject to the rights of the Government provided elsewhere in this Act. Each field will be described with sufficient particularity to allow the Government to identify those fields of use now encompassed by the described field. Upon the filing of such a completed list, or at the end of the four and one-half year period, whichever is earlier, the Government will acquire from the contractor title to all United States patents on such inventions. Neither the contractor nor any sublicensee may market or use commercially any product or process embodying the patented invention, except under the nonexclusive license granted pursuant to section 385, unless the contractor has described a field of use which embraces the product or process and has reported the field of use to the responsible agency pursuant to this section; but failure to file a field of use list prior to marketing or prior to using commercially any product or process embodying an invention shall be excused if such failure resulted from inadvertence, mistake, or excusable neglect.

"(b) If such contractor has filed a United States patent application within a reasonable time after it has disclosed an invention under section 382(b)(1), it will receive an exclusive license in each described field of use, with the exclusive right to sublicense, under each United States patent or patent application transferred to the Government under subsection (a) of this section 384. However, its license will be subject to the Government's minimum rights under section 386 and march-in rights under section 387.

"(c) The contractor automatically will acquire by operation of law the right to receive an exclusive license, pursuant to subsection (b) of this section in each described field of use, ninety days after it provides the responsible agency with a description of such fields of use pursuant to subsection (a), except that it will not acquire the right to receive an exclusive license in any field of use as to which the agency notifies the contractor within the ninety-day period that it has made a determination under subsection (d) of this section.

"(d) The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such a license—

"(1) would impair national security; or

"(2) would create or maintain a situation inconsistent with the antitrust laws.

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"(e) An agency determination under subsection (d) of this section will include written reasons for the determination. The contractor may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the contractor has been notified of the determination. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination, specifically including authority to require that the contractor receive any exclusive license provided for by this section.

"(f) A contractor that is not a small business or a nonprofit organization will acquire title to its contract invention in each foreign country it lists under section 382(b)(2) in which it files a patent application within a reasonable time unless the agency determines that the national interest would be affected adversely. However, title will be subject to the Government's minimum rights under section 386 and march-in rights under section 387. The Government will have the right to acquire title to any patent on a contract invention in each country in which the contractor elects not to file a patent application or fails to file within a reasonable time.

"§ 385. Contractor license

"Any contractor that complies with section 382(b) automatically will receive by operation of law nonexclusive, royalty-free licenses to practice the contract invention in all countries where it does not receive title under section 383 or 384 and in all fields of use in the United States in which it does not hold an exclusive license under section 384. These nonexclusive licenses may be revoked only to the extent necessary to allow the Government to grant exclusive licenses under subchapter III.

"§ 386. Minimum Government rights

"(a) The Government will have the following minimum rights in any contract invention:

"(1) the right to require from the contractor written reports on the use of the invention, if patented,

"(2) a royalty-free worldwide right or license to practice the invention or have it practiced for the Government, and

"(3) the right to license or sublicense State and local governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest.

"(b) Whenever the Government has rights in any invention under this title, each United States patent application and patent on the invention will include a statement that the invention was made with Government sponsorship or support and that the Government has rights in the patent.

"§ 387. March-in rights

"(a) In any field of use, the Government may wholly or partly terminate the contractor's title or exclusive rights in any patent on a contract invention; may require the contractor to grant appropriate licenses or sublicenses to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself. The Government may take such actions only—

"(1) if the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the selected fields of use;

"(2) if necessary to protect the national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

"(4) if continuation of the contractor's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

"(5) if the contractor has failed to comply with the reporting requirements of this Act with respect to such invention.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

"(c) Whenever under this section an agency requires a contractor to grant a license or sublicense, it may specify reasonable terms, including the royalties to be charged, if any; the duration of the license or sublicense; the scope of exclusivity; and the fields of use to be covered.

"§ 388. Deviation and waiver

"(a) An agency may deviate from the allocation of patent rights in contract inventions provided for in any standard patent rights clause established under section 390 acquiring more or fewer rights in the inventions, to further the agency's mission and the public interest. It may so deviate on a class basis only in accordance with regulations issued either under section 390 or, unless prohibited by those regulations, by the agency. Case-by-case deviations must be authorized by the head of the agency or his designee, and described in the Federal Register.

"(b) The national security and antitrust march-in rights reserved by sections 387(a)(2), 387(a)(4), and 387(c) may not be waived under any circumstances.

"(c) Rights reserved by sections 384 and 387(a)(1) may be waived only:

"(1) in contracts involving cosponsored, cost-sharing, or joint-venture research or development to which the contractor makes a substantial contribution of funds, facilities, technology, or equipment; or

"(2) in contracts with a contractor whose participation is necessary for the successful accomplishment of the agency's mission but cannot be obtained under the standard patent rights clause.

"§ 389. Transfer of rights to contractor employees

"The contractor's employee-inventor may receive some or all of the contractor's rights under this subchapter with the permission of the contractor and the approval of the responsible agency. The corresponding obligations of the contractor under this subchapter then will become obligations of the employee-inventor.

"§ 390. Regulations and standard patent rights clause

"(a) The Office of Federal Procurement Policy will direct the issuance of regulations to implement this title. The regulations will establish a standard patent right clause or clauses, to be included in each Federal contract except as provided in section 388.

"(b) Such regulations shall provide payment to the Government for Federal funding of research and development activities through the sharing of royalties and/or revenues with the contractor. Such regulations shall provide, to the extent appropriate, a standard contractual clause to be included in all Federal research and development contracts.

"(c) Such regulations may allow the agency to waive all or part of the payment set forth in subsection (a) of this section at the time of contracting or at the request of the contractor where the agency determines that—

"(1) the probable administrative costs are likely to be greater than the expected amount of payment; or

"(2) the Federal Government's contribution to the technology as licensed or utilized is insubstantial compared with private investment made or to be made in technology; or

"(3) the contractor is a small business, educational institution, or nonprofit organization; or

"(4) the total Government funding of the technology with the contractor is less than $1,000,000; or

"(5) the payment would place the contractor at a competitive disadvantage or would stifle commercial utilization of the technology; or

"(6) it is otherwise in the best interests of the Government and the general public.

"(d) Such regulations shall be promulgated within twelve months of enactment of this section. Until they become effective, each agency shall obtain payment on behalf of the Federal Government for its research and development activities on a contract-by-contract basis in a manner consistent with the provisions of this section.

"SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

"§ 391. Employee inventions

"This subchapter applies to 'employment inventions', which in this Act are inventions made by Federal employees.

"§ 302. Reporting of inventions

"(a) Federal employees will file timely written reports on any inventions they make. Such reports will be made to the employee's agency and will contain complete technical information concerning the invention. The Government neither will publish nor release report until there has been a reasonable time to file patent applications or until one year has passed since the final disposition of rights under this subchapter, whichever is earlier.

"(b) If the responsible agency determines that the employee-inventor reasonably has failed to file a report as required by subsection (a) of this section, the employee may be deprived of any or all of the rights he otherwise would have under this subchapter.

"§ 393. Criteria for allocation of rights

"The responsible agency will determine the rights of the Government and of Federal employee inventions in any inventions made by employee-inventors through the use of the following criteria:

"(1) If the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of his employment, the Government will acquire all rights in the invention.

"(2) If the invention neither bears a direct relation to the duties of the employee-inventor nor was made in consequence of his employment, but was made with a contribution from Federal funds, facilities, equipment, materials, or information not generally available to the public, or from services of other Federal employees on official duty, the employee-inventor will receive all rights in the invention, except as provided in paragraph (4) of this section. However, these rights will be subject to a nonexclusive, royalty-free, worldwide license to the Government to practice the invention or have it practiced for the Government.

"(3) If the agency finds insufficient interest in an invention to justify exercising its rights under paragraph (1) of this section, it may permit the employee-inventor to receive any or all of those rights, subject to the Government's rights as described in paragraph (2) of this section. However, nothing in this paragraph will prevent the agency from publishing the invention or otherwise dedicating it to the public.

"(4) If the agency determines that national security might be impaired if the employee-inventor were to receive rights in an invention under paragraphs (2) or (3) of this section, the Government will acquire all rights in the invention.

"(5) The Government will claim no rights under this Act in any employee-invention not covered by paragraphs (1) or (2) of this section.

"(6) Notwithstanding paragraph (1) of this section, an agency may enter into agreements providing for appropriate allocation of rights in inventions that result from re-

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search or development to which other parties have substantially contributed.

"§ 394. Presumptions

"(a) There will be a rebuttable presumption that an employee invention falls within the criteria of section 393(1) if it was made by a Federal employee who is employed or assigned to—

"(1) invent, improve, or perfect any art, machine, manufacture, or composition of matter;

"(2) conduct or perform research or development work;

"(3) supervise, direct, coordinate, or review federally sponsored or supported research or development work; or

"(4) act as liaison among agencies or individuals engaged in the work specified in paragraphs (1), (2), or (3) of this subsection.

"(b) There will be a rebuttable presumption that an invention falls within the criteria of section 393(2) if it was made by any other Federal employee.

"§ 395. Review of agency determinations

"Agency determinations under sections 392 and 393 will be reviewed whenever—

"(1) the agency determines not to acquire all rights in an invention, or

"(2) aggrieved employee-inventor requests a review.

Standards and procedures for this review will be prescribed in the regulations issued under section 399.

"§ 396. Reassignment of rights

"If an agency finds on the basis of new evidence that it has acquired rights in an invention greater than those to which the Government was entitled under the criteria of section 393, it will grant the employee-inventor such rights as may be necessary to correct the error.

"§ 397. Incentive awards program

"(a) Agencies may monetarily reward and otherwise recognize employee-inventors as an incentive to promote employee inventions and the production and disclosure of employee inventions. For this purpose agencies may make awards under the Federal incentive awards system (5 U.S.C. ch, 45, 10 U.S.C. ch. 57, and implementing regulations), as modified by this section.

"(b) The amount of an award for an invention will be based on—

"(1) the extent to which the invention advances the state of the art;

"(2) the scope of application of the invention;

"(3) the value of the invention to the Government or the public; and

"(4) the extent to which the invention has come into public use.

"(c) Awards for an invention of up to $10,000 may be made by the head of an agency.

"(d) Awards of over $10,000 but less than $35,000 may be made by the head of an agency to—

"(1) civilian employees, with the approval of the Office of Personnel Management;

"(2) members of the Armed Forces, with the approval of the Secretary of Defense;

"(3) members of the United States Coast Guard when not operating as a service in the Navy, with the approval of the Secretary of Transportation;

"(4) members of the Commissioned Corps of the United States Public Health Service, with the approval of the Secretary of Health and Human Services; and

"(5) members of the Commissioned Corps of the National Oceanic and Atmospheric Administration, with the approval of the Secretary of Commerce.

"(e) Awards of more than $35,000 may be made to employee-inventors by the President upon recommendation of the head of an agency.

"(f) Acceptance of a cash award under this section constitutes an agreement that any Government use of an invention for which the award is made forms no basis for further claims against the Government by the recipient, his heirs, or his assigns.

"(g) Any cash award or expense for honorary recognition of an employee-inventor will be paid from the fund or appropriation of the agency receiving the invention's primary benefit.

"§ 398. Income sharing from patent licenses

"In addition to awards as provided in section 397, an agency may share income received from any patent license with the employee-inventor.

"§ 399. Regulations

"(a) The Commissioner of Patents shall issue regulations to implement this title.

"(b) Any determination of an appointing official under subsection 208(b) of title 18, United States Code, that relates to promotion of an employee invention by the employee-inventor will be subject to regulations prescribed by the Secretary of Commerce with concurrence of the Office of Government Ethics and the Attorney General.

SUBCHAPTER III—LICENSING OF FEDERALLY OWNED INVENTIONS

"§ 400. Covered inventions

"This subchapter applies to the licensing of all federally owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 387. However, it does not apply to licenses established by the other sections of subchapter I of this chapter.

"§ 401. Exclusive or partially exclusive licenses

"(a) An agency may grant exclusive or partially exclusive domestic licenses under federally owned patent rights not automatically licensed under section 384 only if, after public notice and opportunity for filing written objections, it determines that—

"(1) the desired practical application is not likely to be achieved under a nonexclusive license; and

"(2) the scope of proposed exclusivity is not greater than reasonably necessary.

"(b) An agency may grant exclusive or partially exclusive foreign licenses under federally owned patent rights after public notice and opportunity for filing written objections and after determining whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

"(c) An agency will not grant a license under this section if it determines that such a grant would create or maintain a situation inconsistent with the antitrust laws.

"(d) Agencies will maintain periodically updated records of determinations to grant exclusive or partially exclusive licenses. These records will be publicly available.

"§ 402. Minimum Government rights

"Each license granted under section 401 will contain such terms and conditions as the agency finds appropriate to protect the interests of the Government and the public, including provisions reserving to the Government:

"(1) The right to require from the licensee written reports on the use of the invention,

"(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government, and

"(3) The right to license State and local governments to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest.

"§ 403. March-in rights

"(a) The Government will have the right to terminate any license granted under section 401 in whole or in part, but only—

"(1) if the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in each of the fields of use affected;

"(2) if necessary to protect national security;

"(3) if necessary to meet requirements for public use specified by Federal regulation;

"(4) if the continuation of the licensee's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

"(5) if the licensee has failed to comply with the terms of the license.

"(b) These march-in rights may be exercised by the responsible agency on its own initiative or on a petition from an interested person justifying such action.

"§ 404. Regulations

"The Office of Federal Procurement Policy will direct the issuance of regulations specifying the terms and conditions upon which federally owned patent rights may be licensed. An agency may deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

"SUBCHAPTER IV—MISCELLANEOUS

"§ 405. Patent enforcement suits and right of intervention

"(a) Any exclusive licensee under this chapter may enforce its exclusive rights under the licensed patent by bringing suit without joining the United States or any other exclusive licensee as a party. However, the licensee will give prompt notice of the suit, or, of any suit filed against it respecting the patent, to the Attorney General and the agency that granted the license, and all parties will serve copies of papers on the Attorney General and the responsible agency as though they were parties to the suit.

"(b) When the responsible agency is informed of any suit filed by an exclusive licensee, by the Government, or by any other person respecting a patent subject to the provisions of this chapter, it promptly will give notice to all its licensees under the patent. Any exclusive licensee will be entitled to intervene as a party in such a suit in which the validity or scope of the license patent is, or is likely to be, placed in issue.

"§ 406. Background rights

"Nothing contained in this chapter will be construed to deprive the owner of any background patent or of rights under such a patent.

"§ 407. Notice, hearing, and judicial review

"(a) Agency determinations under sections 382, 387(a), and 387(c), and 403 will be made after public notice and opportunity for a hearing in which the United States, any agency, or any interested person may participate, and will include written reasons for the determination.

"(b) The United States or any participant that may be adversely affected by an agency determination covered by subsection (a) of this section may appeal the determination to the United States Court of Customs and Patent Appeals within sixty days after the determination is issued. That court will have exclusive jurisdiction to determine the matter de novo and to affirm, reverse, or modify the agency determination.

"§ 408. Relationship to other laws

"Nothing in this chapter creates any immunities or defenses to actions under the antitrust laws.

"§ 409. Authority of Federal agencies

"(a) Agencies may apply for, obtain, maintain, and protect patent rights in the United States and in foreign countries on any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest.

"(b) Agencies may license federally owned patent rights on terms and conditions consistent with subchapter III.

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"(c) Agencies may transfer patent rights to other agencies and accept them from other agencies, in whole or in part, without regard to the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471).

"(d) Agencies may withhold publication or release of information disclosing any invention long enough for patent applications to be filed.

"(e) Agencies may promote licensing of federal owned patent rights by making market surveys, acquiring technical information, or otherwise enhancing the marketability of the inventions.

"(f) Agencies may enter into contracts necessary and appropriate to accomplish the purposes of this section.

"§ 410. Responsibilities of the Secretary of Commerce

"(a) The Commissioner of Patents will—

"(1) consult with other agencies about areas of science and technology with potential for commercial development.

"(2) coordinate a program to help agencies in exercising the authority given by section 409.

"(3) evaluate inventions referred by agencies to identify those with the greatest commercial potential and to promote their public use;

"(4) help agencies seek and maintain patents in the United States and in foreign countries by paying fees and costs and by other means;

"(5) develop and manage a Government-wide program, with appropriate private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through dissemination of information about the technology;

"(6) publish notice of all federally-owned patent rights that are available for licensing; and

"(7) seven years after the date of enactment of this Act, submit to the President and Congress a report describing the operation of this chapter and containing recommendations, if any, for further amendments to promote industrial innovation in the United States.

"(b) There is authorized to be appropriated to the Commissioner of Patents such sums as may be necessary to enable the Commissioner to carry out responsibilities under this section.

"§ 411. Definitions

"As used in this chapter—

"(1) 'Agency' means an 'executive agency' of the Federal Government, as defined by section 105 of title 5, United States Code, and the military departments defined by section 102 of title 5, United States Code. 'Responsible agency' means the agency which is party to a contract for the performance of research or development, has received patent rights from another agency, or has administrative jurisdiction over an employee-inventor. The Tennessee Valley Authority shall not be considered an 'agency' for the purposes of this chapter; and this chapter shall not apply to its patent rights, contracts, and employees.

"(2) 'Antitrust laws' means the laws included within the definition of the term 'Antitrust laws' in section 1 of the Clayton Act (15 U.S.C. 12), as amended.

"(3) 'Contract' means any Federal contract, cooperative agreement, or grant that provides for performance of research or development substantially funded by the Government. It covers any assignment, substitution of parties, or subcontract of the same type under such a contract. It does not cover Federal price or purchase supports, or Federal loans or loan guarantees.

"(4) 'Contractor' means any person other than an agency that is a party to a contract.

"(5) 'Federal employee' means any civil service employee as defined in section 2105 of title 5, United States Code, and any member of the uniformed services.

"(6) 'Invention' means any invention that is or may be patentable under the laws of the United States. 'Contract invention' is defined by section 382. 'Employee invention' is defined by section 391.

"(7) 'Made' when used in relation to any invention means conceived or first actually reduced to practice.

"(8) '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.

"(9) 'Patent rights' means patents and patent licenses and sublicenses.

"(10) 'Practical application' means manufacture of a machine, composition, or product, or practice of a process or system, under conditions which establish that the invention is being worked and its benefits are available to the public on reasonable terms.

"(11) 'Small business' 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.

"(12) 'State' means a State or territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico. 'Local' refers to any domestic county, municipality, or other governmental entity.

"(13) 'Will', except as the context otherwise requires, has the same meaning as 'shall'.".

SEC. 7. (a) Section 10(a) of the Act of June 29, 1935, as added by title 1 of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085) is amended by striking out the following: "Any contracts made pursuant to this authority shall contain requirements making the results of research and investigations available to the public through dedication, assignment to the Government, or such other means as the Secretary shall determine.".

(b) Section 205(a) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1624(a); 60 Stat. 1090) is amended by striking out the following: "Any contract made pursuant to this section shall contain requirements making the result of such research and investigations available to the public by such means as the Secretary of Agriculture shall determine.".

(c) Section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742) is amended by striking out the following: "No research, demonstrations, or experiments shall be carried out, contracted for, sponsored, cosponsored, or authorized under authority of this Act, unless all information, uses, products, processes, patents, and other developments resulting from such research, demonstrations, or experiments will (with such exception and limitation, if any, as the Secretary of the Interior or the Secretary of Health, Education, and Welfare in coordination with the Secretary may find to be necessary in the public interest) be available to the general public.".

(d) 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.

(e) Section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871; 64 Stat. 149, 154) is repealed.

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

(g) The National Aeronautics and Space Act of 1958 (72 Stat. 426) is amended—

(1) by repealing section 305 (42 U.S.C. 2457). However, subsections (c), (d), and (e) of section 305 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 before the effective date of this Act;

(2) by striking out, in section 306(a) (42 U.S.C. 2458(a)), "(as defined by section 305)"; and by striking out "the Inventions and Contributions Board, established under section 305 of this Act" and inserting instead: "an Inventions and Contributions Board which shall be established by the Administrator within the Administration";

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

"(14) to provide effective contractual provisions for reporting 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.";

(4) by inserting at the end of section 203 (42 U.S.C. 2473) the following new subsection:

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

(5) by striking out the following in such section 203(c)(3): "(including patents and rights thereunder)".

(h) Section 6 of the Act entitled "An Act to encourage and stimulate the production and conservation of coal in the United States through research and development by authorizing the Secretary of the Interior to contract for coal research, and for other purposes", approved July 7, 1960 (30 U.S.C. 666; 74 Stat. 337), is repealed.

(i) Section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920) is amended by striking out the following: *"Provided, however,* That all research contracted for, sponsored, cosponsored, or authorized under authority of this Act shall be provided for in such a manner that all information, uses, products, processes, patents, and other developments resulting from such research developed by Government expenditure will (with such exceptions and limitations, if any, as the Secretary may find to be necessary in the interest of national defense) be available to the general public: *And provided further,* That nothing contained herein shall be construed as to deprive the owner of any background patent relating thereto such rights as he may have thereunder." and by inserting instead a period.

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

(l) Except for subsection (1), section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878) is repealed.

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

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

(p) The Resources Conservation and Recovery Act of 1976 (90 Stat. 2795) is amended—

(1) by repealing section 8001(c)(3) (42 U.S.C. 6981(c)(3); 90 Stat. 2831); and

(2) by striking out, in section 8004(c)(2) (42 U.S.C. 6984(c)(2)) the second sentence, "notwithstanding section 8001(c)(3),".

(q) Section 12 of the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976 (15 U.S.C. 2511; 90 Stat. 1269) is repealed.

(r) Paragraph (r) of section 19 (as added

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by Public Law 95-238) of the Federal Nonnuclear Energy Research and Development Act of 1974, Public Law 93-577, as amended, Public Law 95-238, is repealed; subparagraph (g)(4) of said section 19 is amended by striking "under section 9 of this Act" in the first sentence.

(s) Section 112(d)(2) of Public Law 95-39, enacted on June 3, 1977, is amended by striking "shall be governed by the provisions of section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 and".

(t) Section 408 of the Water Research and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1316) is repealed.

SEC. 8. (a) Sections 2, 4, and 5 of this Act will take effect upon enactment.

(b) Section 1 of this Act will take effect on the first day of the seventh month beginning after its enactment and will apply to patents in force as of that date or issued thereafter.

(c) Section 3 of this Act will take effect on the first day of the first fiscal year beginning on or after one calendar year after enactment. However, until section 3 takes effect, the Commissioner may credit the Patent and Trademark Office appropriation account in the Treasury of the United States with the revenues from collected reexamination fees, which will be available to pay the costs to the Office of reexamination proceedings.

(d) Any fee in effect as of the date of enactment of this Act will remain in effect until a corresponding fee established under section 41 of title 35, United States Code, or section 1113 of title 15, United States Code, takes effect.

(e) Fees for maintaining a patent in force will not be applicable to patents applied for prior to the date of enactment of this Act.

(f) Sections 6 and 7 of this Act will take effect on the first day of the seventh month beginning after its enactment. Implementing regulations may be issued earlier.

SEC. 9. The Commissioner of Patents and Trademarks shall report to Congress, within two years after the effective date of this Act, a plan to identify, and if necessary develop or have developed, computerized data and retrieval systems equivalent to the latest state of the art which can be applied to all aspects of the operation of the Patent and Trademark Office, and particularly to the patent search file, the patent classification system, and the trademark search file. The report shall specify the cost of implementing the plan, how rapidly the plan can be implemented by the Patent and Trademark Office, without regard to funding which is or which may be available for this purpose in the future.

SEC. 10. (a) Section 101 of title 17 of the United States Code is amended to add at the end thereof the following new language:

"A 'computer program' is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.".

(b) Section 117 of title 17 of the United States Code is amended to read as follows:

"§ 117. Limitations on exclusive rights: Computer programs

"Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

"(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

"(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

"Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.".

The SPEAKER pro tempore. Is a second demanded?

Mr. McCLORY. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without, objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Wisconsin (Mr. KASTENMEIER) will be recognized for 20 minutes, and the gentleman from Illinois (Mr. McCLORY) will be recognized for 20 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. KASTENMEIER).

Mr. KASTENMEIER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, in view of the fact that H.R. 6933 is the product of joint effort reflecting the views not only of the Committee on the Judiciary but also the Committee on Science and Technology and the Committee on Government Operations, I will be brief in deference to the other supporters of the bill who also wish to speak.

Mr. Speaker, H.R. 6933 represents an effort to reverse the current decline in U.S. productivity by strengthening the patent and copyright systems to improve investor confidence in new technology.

The bill grew out of the recommendations of a 150-member Presidential Advisory Commission on Industrial Innovation.

H.R. 6933 has four major thrusts. First, it strengthens investor confidence in the certainty of patent rights by creating a system of administrative reexamination of doubtful patents. Second, it strengthens the financial resources of the Patent Office to provide fast and accurate processing of patent applications by revising the fee structure of the Office. Third, the existing melange of 26 different agency policies on vesting of patent rights in Government-funded research is replaced by a single, uniform national policy designed to cut down on bureaucracy and encourage private industry to utilize Government-funded inventions through the commitment of the risk capital necessary to develop such inventions to the commercial application.

Finally, it eliminates confusion about the legal status of computer software by enacting the recommendations of the Commission on New Technological Uses of Copyrighted Works clarifying the law of copyright of computer software.

Mr. Speaker, the Judiciary Committee carefully worked out the existing legislation after 11 days of hearings and markups at subcommittee and full committee level during which the advice of the Departments of Commerce and Justice was sought. Both Departments, traditionally antagonistic on the issue, have come together in support of the bill and the committee report.

In addition the Committee on Government Operations reviewed the bill and reported it favorably with four strengthening amendments which the Judiciary Committee is happy to accept.

Finally, we worked closely with the Committee on Science and Technology and with representatives of private industry. There is now very little organized opposition to the bill.

The measure is ardently supported by the small business and academic communities in view of its provision to streamline Government patent policy. It is also supported by the Computer and Business Equipment Manufacturers Association and the Information Industry Association. It contains key features of the legislative program of the American Patent Law Association.

I strongly urge a "yes" vote.

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Mr. SMITH of Iowa. Mr. Speaker, will the gentleman yield?

Mr. KASTENMEIER. I am pleased to yield to the gentleman from Iowa.

Mr. SMITH of Iowa. I thank the gentleman for yielding and want to say I fully support this bill.

Mr. Speaker, I rise in strong support of H.R. 6933. There are provisions in this bill which are of significant importance to small businesses. For a number of months the Small Business Committee has been studying the innovation crisis, and in particular, the diminishing role of small business in innovation. Our concerns are magnified by the fact that small businesses have been the most effective innovators by nearly every standard of measurement. Smaller firms were responsible for half of all major industrial innovations since World War II; they produced 24 times as many major innovations per research dollar expended as did large firms according to recent studies. These studies also indicate that small, innovative firms generate tax revenues at a higher rate than other firms. Furthermore, 87 percent of all new jobs are created by firms with 500 or less employees. So the small, innovative businesses not only affect our Nation's productivity and balance of trade, they also become crucial to the fight against inflation and unemployment.

The Small Business Committee held hearings on the subject of innovation in connection with the Small Business Innovation Act, H.R. 5607, which was unanimously reported from the Small Business Committee. Title III of the innovation bill includes patent provisions for small businesses and nonprofit organizations. It is increasingly clear that present Government patent policies are an actual disincentive to small business involvement in federally funded research and development. This has serious implications when one considers that over one-half of all research and development

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in the United States is paid for by the Federal Government.

The complexity resulting from the large variety of Government patent policies is confusing to small businesses and places them at a distinct disadvantage. Small firms are not financially able to maintain patent staffs with time and expertise needed to sort out the programs which are most advantageous. Moreover, the hearings established the fact that big businesses usually are able to negotiate a contract permitting them to retain patent rights while small businesses are offered contracts on a take-it-or-leave-it basis.

Many small firms avoid Government research and development contracts because the risks are too great. Not only does the Government retain title to inventions which may result, but background rights to patents already owned by the firm may also be jeopardized. Background rights constitute valuable property to small firms; however, many agencies have routinely and unnecessarily required small firms to sign away their exclusive rights to background inventions which may relate to the work object of a funding agreement as a cost of doing business with the Government. The same obligation is often not required of large firms. There was direct testimony to that effect in our hearings.

Our committee also found that without adequate patent protection, the commercialization of a new idea is far too costly and too risky for small firms. The cost of product development may be as much as 10 times the cost of initial research, and obtaining risk capital remains the No. 1 problem of small, innovative firms. We received testimony from a number of sources indicating that title to inventions provides greater protection and greater incentive for capital investment than does an exclusive license. This fact is of particular importance to small firms which do not have elaborate marketing systems and alternative products against which risk may be offset.

In short, the climate for small business involvement in Government research and development is unhealthy. While direct support for research and development at large companies, universities, and Federal laboratories has grown, the most innovative sector of the American economy, the small science and technology-based enterprises, are virtually excluded from effective participation in federally funded research programs. Small firms only receive about 4 percent of Federal research and development dollars. The result has been a lag in product development and a disastrous trend toward foreign commercialization of U.S. technology.

It is in everyone's interest that a small business be permitted to keep the patent as long as it uses it. This legislation provides just that. The bill also provides that a business may not be deprived of its background rights. These are protections which small businesses need in order to remain viable innovators.

Small businesses will also benefit significantly from the reexamination provisions in this bill. The cost of defending the validity of a patent in court has become prohibitive for small firms and independent inventors. The cost may reach as high as $250,000 for each party, an impossible burden for most small firms. Evidence shows that the high cost of defending a patent is sometimes used to blackmail the owner into permitting infringements or into selling out at greatly reduced price. Reexamination of the patent by the Patent and Trademark Office permitted by section 1 of the bill, would provide an effective alternative at a fraction of the cost.

The reliability of patents is of the utmost importance to small businesses in commercializing new products or processes. It is unfortunate that present policies have disadvantaged the most innovative segment of the American economy and have fostered concentration in relatively few firms. Just 31 companies, many of which are multinational, account for more than 60 percent of all U.S. research and development.

The relative importance of this issue is indicated by one further compelling factor: Support of innovation legislation which included patent policies was listed as 6th in priority out of 60 recommendations by the White House Conference on Small Business.

Because of the unique contribution which small business makes to the economic health of this country and because of the critical need to foster innovation and improve productivity, I urge the passage of this bill (H.R. 6933) which small business needs and supports.

In the event that this bill does not become law today and it does get hung up for one reason or another due to some other provision, I hope at least we can get the small business portion passed in this Congress.

Mr. KASTENMEIER. I would say to the gentleman from Iowa I will be entirely cooperative with him in that effort. At the very least I would hope, if not all much of what we are processing here today can be enacted. I clearly believe that the small business, university section which is embedded in this bill and which the gentleman's committee processed, can be and should be otherwise handled and enacted into law. If it were not, I think it would be a great tragedy.

Mr. SMITH of Iowa. I thank the gentleman.

Mr. McCLORY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 6933. I would like to commend the gentleman from Wisconsin (Mr. KASTENMEIER), chairman of the subcommittee, and my colleague from Illinois (Mr. RAILSBACK) for their tireless efforts in bringing this legislation before us this afternoon.

The Judiciary Committee favorably reported this legislation by voice vote. I believe it is the most significant patent law reform bill to come before this body in 25 years. H.R. 6933 will encourage research and development by strengthening the validity of the patent granted.

H.R. 6933 has three important provisions: First, it is designed to strengthen the confidence which an inventor and an investor have in their patent by creating a system of administrative reexamination of those patents wherein questions as to validity have been raised after the patent has been granted. Second, it strengthens the financial resources of the Patent Office to provide fast and more accurate processing of patent applications by revising the fee structure of the Patent Office. Congress last enacted legislation raising these fees in 1965. Lastly, there presently exist 26 different agency policies on the vesting of patent rights in Government-funded research. This confusion is replaced by a single, uniform national policy which is designed to cut down on bureaucracy and encourage private industry to utilize Government-funded inventions.

The funding agency is rarely in a position to develop these inventions. It has been estimated by many experts that the cost of taking a new invention from basic research through development and commercialization costs 10 times as much as did the basic research itself. The private sector is not willing to take this enormous investment risk without some guarantees that the invention which they help develop will be protected for a period of time by a patent.

Mr. Speaker, I am convinced that patents can provide incentive for innovation and increased productivity, and H.R. 6933 will go a long way toward accomplishing these goals. I urge a "yes" vote for H.R. 6933.

Mr. Speaker, I yield the balance of my time to my distinguished colleague from Illinois (Mr. RAILSBACK), the ranking member of the subcommittee.

Mr. RAILSBACK. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of the bill, H.R. 6933, and ask unanimous consent to revise and extend my remarks and to include extraneous matter.

Mr. Speaker, in its present form, this legislation enjoys widespread, bipartisan support. It has the support of the Departments of Justice and Commerce. It is strongly supported by the universities and small business community.

Presently, the Federal Government has at least 26 different patent arrangements employed by various executive agencies. These policies are frequently contradictory from agency to agency and have proven to be formidable barriers to the private sector in participation in Government work. In general, the present patent policies require private contractors and grantees to allow the funding agency to own any patentable discoveries, even if the Federal Government has provided only a small percentage of the total money involved in the research and development. Now, the Department of Defense has a policy which permits private contractors to hold exclusive rights to certain inventions which are developed with assistance of

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Federal Government funding. If all agencies had this policy, we would probably not be here today and there is nothing in the law which guarantees that this will be the Department of Defense's policy in the future.

The mere complexity of these policies constitute a real hurdle to universities and small businesses who do not have the resources to negotiate through this policy maze. This is, no doubt, part of the reason why a distressingly low percentage of Federal research and development contracts are awarded to small companies, some 3.4 percent, according to an Office of Management and Budget study.

Finally, Mr. Speaker, I want to say a word about the action taken by the Government Operations Committee when this bill was sequentially referred to them. That committee deleted a provision passed by the Judiciary Committee which would have the effect of separating from the Department of Commerce the Patent and Trademark Office. The record is replete with justification for that action taken by the Judiciary Committee. Every living former Patent Commissioner—seven—support separating the Patent and Trademark Office from the Department of Commerce. Every patent owner, who has commented on this legislation, support it emphatically. For example, the Chemical Manufacturers Association, the Small Business Council, and numerous individual businessmen and corporations.

For the time being, because of time constraints, the Department of Commerce has won a temporary victory. I have been assured by my chairman, Mr. KASTENMEIER, that we intend to hold oversight hearings early next year and will further develop, with the help of the other body, the records on this very important issue.

The problems of the Patent and Trademark Office are plentiful, and they are common knowledge:

Presently it takes 22 months for a patent to issue;

From 2 to 26 percent of the patents are missing from every subclass in the Patent Office files;

Only a small percentage of the files are covered by a security system to prevent theft and misfilings;

The Patent and Trademark Office is not able to hire the needed personnel to fill existing vacancies;

The number of trademark examiners in 1980 will be the same as in the mid-seventies yet they are expected to process 65 percent more applications;

WHAT PROBLEM IS TO BE SOLVED?

Technological innovation in the United States is declining at an alarming rate as President Carter and many Members of Congress have recognized.

Only 62 percent of the patents issued by the U.S. Government go to Americans. In 1965, 80 percent did. In 1979, 20 percent of all patents issued in the United States were awarded to Japan and the Federal Republic of Germany, and 38 percent in all went to foreigners. In 1965, 20 percent did.

American businessmen and inventors are losing confidence in the U.S. patent system. The purpose of the patent system is to give economic stimulus to industry to invest in technological innovation. But the system is malfunctioning, primarily because the U.S. Patent and Trademark Office is woefully unable to perform its mission.

As former Commissioner Banner said:

The PTO is in "dire straits" and soon the U.S. will have a "second rate" patent system.

WHY THE PTO IS INEFFICIENT

Lack of proper funding. The budget has been regularly cut for the past decade. For example, the number of Patent Examiners in 1975 was 1,200 and in 1979 was 1,000. Time to study an application, now a 15-hour average, is the lowest in the history of the Office.

Lack of leadership and management. Since 1962, there have been seven different PTO Commissioners and nearly 3 years of vacancy in the position. This "revolving door" is extremely harmful to the Office in terms of morale, planning, and management.

Lack of interest and understanding by Congress. There are no effective lines between the PTO and Congress or between the PTO and OMB, both on the substantive patent and trademark laws and on funding of the Office.

HOW DID THIS HAPPEN?

In 1948, the Committee on Patents of the House and Senate were abolished after 112 years of existence.

In 1950, the powers of the Patent Commissioner were vested in the Secretary of Commerce pursuant to the Hoover Commission report.

In 1962, the Patent Commissioner was downgraded from an Assistant Secretary level to a position where he reports to an Assistant Secretary.

The results: First, the PTO is cut off from Congress and the Secretary of Commerce; and second, the Office of the Patent Commissioner was diminished in stature and influence.

HOW DOES MAKING THE PTO INDEPENDENT HELP?

First. The problem is communication and understanding. If the PTO was independent, the lines of contact with OMB and Congress would be direct. Every single piece of information coming out of the PTO would no longer be filtered, delayed, and altered through the Department of Commerce.

Second. The Office morale, and particularly that of the 1,000 professional Patent Examiners, would be significantly improved. The Office of the Commissioner would attract able persons who would tend to remain.

Third. The PTO Commissioner could manage the PTO.

The PTO Commissioner could work directly with Congress to make the Office efficient.

The PTO Commissioner would be in a position to assume and advise other agencies of the executive branch relative to the patent system.

HOW MUCH WOULD IT COST?

No additional manpower or facilities are involved. Commissioner Banner has estimated the cost at less than $150,000 a year to assume minor administrative services now performed in Commerce.

My independent PTO amendment did two things: First, it would make the Patent and Trademark Office independent; and second, it created a 6-year term for the Office of the Commissioner. It did not create any new bureaucratic entity. The employees already exist, the offices already exist, and the budget already exists. My amendment would have breathed new life and energy into an important agency which we have all but forgotten.

Mrs. FENWICK. Mr. Speaker, will the gentleman yield?

Mr. RAILSBACK. I am happy to yield to my friend from New Jersey (Mrs. FENWICK).

Mrs. FENWICK. I thank my colleague for yielding. I, too, support this measure. I think it is long overdue. The figures the gentleman has given us are most convincing.

However, I do notice that the public has spent some $50 billion in research. I would like to be assured if my understanding of the bill is correct. Is there now in this legislation a provision which will mean that the Secretary will be empowered to require return of a part of any profits to the Treasury so that if the invention produces a large profit for the company to which the patent has been allocated, some money will return to the Treasury;

Mr. RAILSBACK. Yes. That is the provision for recoupment and it is in the bill. I think that particular provision is a good idea and something I think we should support.

Mrs. FENWICK. That is a part of the legislation?

Mr. RAILSBACK. Yes, that is correct.

Mrs. FENWICK. I thank the gentleman.

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Mr. KASTENMEIER. Mr. Speaker, I would like to commend the gentleman from Illinois (Mr. RAILSBACK) on his contribution to this bill and also acknowledge that there is a provision for recoupment. It is a provision we accepted from the Committee on Science and Technology. It was the amendment offered by the gentleman from Pennsylvania (Mr. ERTEL).

I would like at this time to yield 3 minutes to the gentleman from Florida (Mr. FUQUA) who worked both in his own committee, the Committee on Science and Technology, and in the Committee on Government Operations cooperatively to develop this legislation. We are very indebted to him.

Mr. FUQUA. Mr. Speaker, I want to commend the gentleman from Wisconsin (Mr. KASTENMEIER) and the gentleman from Illinois (Mr. RAILSBACK) for their work in bringing this bill to the floor, and also the members of the Committee on Science and Technology who have worked very hard by recognizing early the need for revision of our patent policy. Particularly the gentleman from California (Mr. BROWN) and the gentleman from Pennsylvania (Mr. ERTEL)

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whose names have already been mentioned, who worked very hard and very conscientiously in trying to bring this about.

Mr. Speaker, what we are doing here is trying to combine into 1 bill and make uniform a policy that now exists under 26 different complex and confusing sets of Federal patent policy. In many cases, there are within agencies a different patent policy. We provide an incentive for the person that is successful with the patent to commercialize that patent; but we also provide a recoupment. If that patent has in any way been involved with Federal funds and it is a successful patent, then the Federal Government can go in and recoup funds for the Government's investment.

If we are going to bring together an improved patent policy so productivity and innovation may move forward. we certainly need the legislation that is contained in H.R. 6933. While it may not be a perfect bill, it certainly, I think, covers those essential points that we need so very much; and I urge my colleagues to vote in favor of the bill.

Mr. Speaker, I would also like to commend the work of the Judiciary Committee in regard to this bill, and, in particular, I would like to commend the work of the gentleman from Wisconsin (Mr. KASTENMEIER) for his diligence and foresight in shepherding this bill through the myriad of hurdles it has faced since its introduction in the House.

As the chairman of the Science and Technology Committee, a committee which has partial jurisdiction over patent rights legislation involving Federal R. & D., I have closely followed the evolution of this legislation. I urge my colleagues to join with me in general support of this bill. In addition, I would like to call particular attention to the importance of section 6 of the bill. Section 6, which deals with Federal patent policy, establishes a uniform policy regarding contractor rights to federally funded inventions. This policy would replace the 26 different, complex, and confusing sets of Federal patent policies which vary by agency. In some cases, these policies even vary from department to department within one agency.

Mr. Speaker, as you know, the Federal Government bears over one-half of the cost of financing research and development activities in the United States. Because the primary means of improving the Nation's productivity lies in the new technologies which arise from research and development, Federal R. & D. policies can and do have a significant impact on the Nation's productive capacity and innovative climate. This means that Federal patent policies governing the utilization of Government-funded research have become of ever increasing importance because these policies have a direct impact on the rate of effective commercialization of Government financed research.

Section 6 would permit the grant of exclusive rights to federally funded inventions to contractors who meet the bill's requirements. Studies cited at Science and Technology Committee hearings on Federal patent policy have strongly indicated that merely making an invention available for development without the grant of some form of exclusive rights does not generally lead to commercial utilization. Substantial additional costs are normally necessary to further develop and market an invention. These costs are often 10 to 100 times the initial R. & D. costs. In order to provide an incentive for contractors to commercialize Government-funded inventions, I believe that the grant of exclusive rights to inventions is necessary.

I am aware of the criticism that granting contractors exclusive rights to Government-funded inventions enriches contractors at the expense of the taxpayer. However, I believe that, without the grant of exclusive rights, virtually no economic benefits which would flow from commercialization will be realized.

H.R. 6933 is definitely a product of many points of view. Although I do not share all of these views, I believe that the major thrusts articulated in the bill represent a positive step in our mutual efforts to create a rational Federal patent policy—a policy that not only streamlines and makes more effective the procedures associated with the administration of Federal R. & D. contracts, but also, and more importantly, a policy which encourages rather than hinders innovation in the private sector.

Again, I urge my colleagues to support this bill. Enactment of H.R. 6933 is a step in the right direction for the U.S. economy as a whole and for the health of technological innovation in particular.

Mr. KASTENMEIER. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. BROWN) also a major contributor to this legislation.

Mr. BROWN of California. Mr. Speaker, I would like to thank the gentleman from Wisconsin (Mr. KASTENMEIER) and his colleagues on the Judiciary Committee, for the leadership and insight they have exhibited during their considerations of H.R. 6933, a bill to amend the patent and trademark laws. I would also like to commend the gentleman from Florida (Mr. FUQUA), chairman of the Science and Technology Committee, for his wise counsel and leadership at critical points as we moved this multicommittee cooperatively framed bill through House review.

Mr. Speaker, every Member of the House is aware of the economic problems the country is facing. Inflation continues its spiraling increase, our balance of trade is deeply in the red, and the rate of industrial productivity is steadily declining.

The Committee on Science and Technology has been working throughout the 96th Congress to understand the nature of our problems in innovation and productivity and to come up with workable solutions. It became clear from the outset of our considerations that Federal patent policy would be a key element of any strategy to improve the innovative climate in the country. Accordingly, the Science and Technology Committee's Subcommittee on Science, Research, and Technology conducted a series of hearings on the role which Federal patent policy plays in promoting industrial innovation. I should like, at this time, to commend my colleague, the gentleman from Pennsylvania (Mr. ERTEL) for his able stewardship during the subcommittee's considerations of this issue.

The subcommittee's work resulted in the introduction of a Federal patent policy bill, H.R. 5715, of which Mr. ERTEL was the primary sponsor. On April 1, 1980, the subcommittee favorably reported out H.R. 5715. I would like to cite Mr. ERTEL again for the foresight which this bill represents.

In the meantime, the Judiciary Committee began its considerations of the administration's Federal patent policy bill, H.R. 6933. Given the urgent need for an integrated, cooperative effort in this area, I, and many of my colleagues on the Science and Technology Committee, decided that we would pool our resources in working together on H.R. 6933 as the preferred vehicle for handling the Federal patent policy issue.

Mr. Speaker, I believe that H.R. 6933, especially section 6 of the bill, represents a much-needed revision of current Federal patent policy. As you know, there are now some 26 different patent policies in use by Federal agencies. Section 6 of the bill would replace these 26 policies with a uniform policy to be applied Governmentwide. But, more importantly, section 6 would provide a much-needed incentive for Government contractors to commercialize inventions arising out of Federal R. & D.

During our Science and Technology Committee hearings on Federal patent policy, there was considerable testimony which indicated that merely making an invention available for development, without the grant of some form of exclusive rights to that invention, does not generally lead to commercial utilization. Government contractors need some incentive to take on the costs of developing the invention to the point where it is marketable—development costs which are often 10 to 100 times the initial R. & D. costs. I believe that the grant of exclusive rights to an invention can and does provide a needed incentive to commercialize. In testimony before the Science and Technology Committee, NASA representatives indicated that contractors who were permitted some form of exclusive rights to inventions have achieved commercial applications at a rate approximately 20 times greater than that achieved when the agency did not grant exclusive rights. The largest study ever conducted on this issue, known as the Harbridge House study, found that Government-supported inventions were utilized at a rate of approximately 12 percent across all agencies but that the rate doubled when exclusive rights were left with commercial contractors.

I am aware of the concern that granting contractors exclusive rights to federally funded inventions is a "give-away" of the taxpayers' property. However, I

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am convinced that this argument is exaggerated and theoretical. Without the grant of exclusive rights, the economic benefits which would flow from effective commercialization will not be realized and the taxpayer will not reap the full benefits which his investment in Federal R. & D. should yield.

Mr. Speaker, I could cite numerous other reasons why H.R. 6933 should be supported. Let me simply say in conclusion that I strongly urge my colleagues in the House to support this bill for it represents an important step toward improving the climate for technological innovation in this country.

Mr. KASTENMEIER. Mr. Speaker, I yield as much time as he may require to the gentleman from Pennsylvania (Mr. ERTEL).

Mr. ERTEL. Mr. Speaker, I rise in support of H.R. 6933. This legislation represents a carefully throughout balance between the need to protect the interests of the taxpayer and the need to spur new innovation and productivity. I would like to commend the chairman of the Science and Technology Committee for his invaluable efforts in protecting important sections of this legislation and for insuring that the bill before us now is a fair and meaningful step in bringing greater utilization of patents arising from federally funded research and development. I would also like to compliment the chairman of the Science, Research, and Technology Subcommittee, the gentleman from California, Mr. BROWN, and the chairman of the Subcommittee on Courts, Civil Liberties, and the Administration of Justice, the gentleman from Wisconsin, Mr. KASTENMEIER, for their leadership and assistance in this effort to rationalize Federal patent policy.

This issue has been extensively reviewed and discussed within the private sector, by the administration, and by several congressional committees. This legislation has broad support and represents the consensus of many views. If I have any criticism of the bill it is that it does not go far enough. Nevertheless, I believe that this bill, particularly the sections dealing with the allocation of patent rights and patent reexamination, is a major step forward and should be adopted.

Some would tell you that this legislation violates the principle that what the taxpayers pay for belongs to the people. I find it difficult to believe that those who make that argument with this bill have either looked at what the bill does or what the real situation is with federally held patents. The fact is that while we spend billions of dollars on research and development, which few of these patents are ever picked up by the private sector and turned into new goods or improved means of manufacturing.

I don't know anyone who thinks they have gotten their money's worth from research which results in a patent that collects dust on a shelf. The taxpayers get very little benefit from their support for research and development unless the R. & D. is translated into goods in the marketplace that they can make use of. It is silly to try and contend anything else.

Now those who favor the Government continuing to hold patents will tell you that maybe the reason these patents are not used by the private sector is because they have no use or application. What you will not hear them say is that when NASA undertook a pilot program granting exclusivity to patents, commercialization and utilization of those patents increased twentyfold. They will not tell you that in the one agency where exclusivity is regularly granted—the Department of Defense—the inventions find wide-scale use far above the average utilization for other federally developed patents. They will not tell you about the pharmaceutical company that does not want to bring new drugs to the market because without exclusivity they will not be able to recover their investments. Patents arising out of federally funded R. & D. are not useless. There are many possible applications for many of these patents.

Sometimes we are asked to show an example where a patent was not commercialized because exclusivity was not granted. It is obvious that such "proof" is negative in nature and difficult to provide. However, for those who make this demand, let me oblige them. On June 26, 1979, the Science Committee held hearings on the Materials Policy Research and Development Act. During those hearings Mr. John Hadd, an Assistant Director of the General Accounting Office appeared before the committee. His testimony included a statement to the effect that Federal patent policies were a barrier to domestic technology transfer. I was intrigued by that statement and asked him to expand upon it in writing for the committee record. Let me read you a part of his response:

> A specific example of how patent policy has inhibited the transfer and commercial application of Government sponsored materials R. & D. concerned the development by the Bureau of Mines of a new kind of anchor bolt for use by the mining industry. A company expressed an interest in further developing and then marketing the product but only if it could receive an exclusive license to recover its anticipated development and marketing costs. The Bureau refused to grant exclusive developmental rights and the product never hit the market. This illustrates the situation where government adherence to a nonexclusive patent policy discourages industry investment in technology development.

So for those who need an example of negative proof, there it is.

Now if we can lay to rest the mistaken assumption that Federal patents do not have potential, important applications, we must still answer the question of why these patents aren't being used. The reason is really quite simple. It is commonly recognized that in the process of bringing a product to the market, research accounts for roughly 10 percent of the cost, while development and marketing makes up 90 percent of the cost. The Federal effort stops at the research end of the process. Without some form of exclusivity, a private firm is often reluctant to invest the resources needed to commercialize the invention. This is no small commitment for a company to make. It usually involves millions of dollars and is still a gamble. On top of that, why spend the money only to have your competitor pick up the process just before you hit the market? Your competitor will be able to underprice you since he does not have to recover the development costs.

So the bottom line is that if we want to see any significant commercialization of these patents, we are going to have to grant some form of exclusivity.

It could be argued that the development of new goods and manufacturing processes will repay the Government for its R. & D. investment simply through new tax revenues. While this is true, this bill goes even further by providing for payments to the Government through the sharing of royalties or revenues. This recoupment provision will compensate the Government for its investment and prevent the contractor from achieving "windfall profits" at the expense of the taxpayers while still encouraging commercialization of the inventions.

H.R. 6933 is a balanced and fair bill which protects the interests of the Government while moving toward the utilization of patents arising from Federal R. & D. work. We are not protecting the interests of the American people by allowing the fruits of our R. & D. to go unused. The theory that what the public pays for belongs to the public is meaningless unless the public can make use of what it pays for. This is precisely what this legislation accomplishes and I urge the adoption of the bill.

Mr. RAILSBACK. Mr. Speaker, I yield so much time as he may consume to the gentleman from Virginia (Mr. BUTLER).

Mr. BUTLER. Mr. Speaker, I rise in strong support of H.R. 6933. This legislation incorporates a bill which I introduced early this Congress (H.R. 5075), which sets up a new and faster way to reexamine an issued patent. H.R. 6933 will establish a system by which any person at any time during the life of a patent will be able to bring to the attention of the Patent Office prior art patents and publications which the person believes has a bearing on the patentability of that patent. At the same time or later, that person or anyone else would be able to request the Patent and Trademark Office to reexamine the patent on the basis that the information it contains raises a substantial new question on patentability. In the absence of such a request, the Commissioner of Patents could initiate a reexamination on his own volition.

Under present law, only the patent owner can obtain a reevaluation of patent validity by the Patent and Trademark Office on the basis of newly discovered prior art. The Patent and Trademark Office has a special reissue for this purpose, but it cannot be initi-

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ated by a member of the public or even by the Patent and Trademark Office.

Members of the public today have only two ways of contesting patent validity, no matter how affected or concerned they may be about the validity of a particular patent. A person may either wait to be sued for patent infringement and then raise the defense of invalidity or, if a business interest is directly threatened, bring a declaratory judgment suit. Both of these remedies must be sought in Federal court, and they are almost always expensive, protracted, and uncertain as to outcome.

Testimony before the subcommittee indicated that use of the courts in a patent infringement case can cost a minimum of a quarter of a million dollars and, of course, it is not unusual for such litigation to be prolonged and cost in the millions of dollars. This places special hardships on small businesses and individual inventors—those least able to finance and await the outcome of litigation. Reexamination would provide a simpler, far less expensive, and prompter administrative procedure for evaluating the strength of newly discovered inventions.

The PTO expects between 1,000 and 3,000 reexamination proceedings each year. An estimate has been made of the expenses of conducting reexamination under the bill. The estimate was made by comparing reexamination procedures. However, the unique concepts involved in reexamination preclude a precise forecast. With this caveat, the Patent Office estimates that reexamination costs will average somewhere between $1,000 and $1,500 per proceeding. With the cost recovery required by this bill's fee provisions, reexamination will not impose any costs on taxpayers. I urge the Members to vote in favor of H.R. 6933.

Mr. RAILSBACK. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. MILLER).

Mr. MILLER of Ohio. Mr. Speaker, I thank the gentleman for yielding. I have a question for the chairman of the committee concerning a potential increase in the patent fee. Apparently under the legislation before us the fee could be doubled because, as I understand it, the fee for a patent now covers only about 27 percent of the cost of administering that patent. Under the bill, the fee would be increased to cover approximately 50 percent of the cost administering the patent. Does that mean that the patent fee will double?

Mr. KASTENMEIER. If the gentleman from Ohio will yield, I would answer him.

Mr. MILLER of Ohio. I yield to the gentleman from Wisconsin.

Mr. KASTENMEIER. Yes. over the life of the patent. That is consistent with policy that has existed over the many, many years to try to make the amount we recoup on patent fees somewhat relevant to the costs of maintaining the Patent Office. We have not done very well recently. We have tried to make this somewhat more equitable or easier to meet the costs by what we call a maintenance fee so that the cost can be paid over the life of an effective patent rather than for, let us say, the inventor speculating at the outset that his patent may be worthy of such an investment.

In this respect, we have borrowed the European system, but I think the general effect of it is to make the increase in total fees, which we feel must be generated, somewhat easier for the patent applicant to bear.

Mr. MILLER of Ohio. One of my concerns is if the installment payment would be paid——

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. KASTENMEIER. Mr. Speaker, I yield 1 additional minute to the gentleman from Ohio.

Mr. MILLER of Ohio. I thank the gentleman from Wisconsin for yielding.

If the fee is to be made in four installments as proposed by this bill, it apparently means the patent fee will be extremely high. I am concerned that if inventors who are not with large corporations but are on their own come up with some new expertise or new technology, that they may not be in a position to afford to patent that idea. This may force them to merge with a large business. I have applied for and have received several patents. They have not been extremely expensive. I am concerned about independent inventors or small businessmen who will apply for patents in the future. If they cannot afford to pay the increase fee, will we be preventing them from helping us to develop new technologies that will enable the United States to compete with other nations?

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. KASTENMEIER. Mr. Speaker, I yield myself 1 additional minute to reply to the gentleman from Ohio (Mr. MILLER).

I think in part what the gentleman's concern is based on is true. The cost of actually acquiring a patent at the outset will be no more. As a matter of fact, the committee rejected a much more costly, perhaps more rational but more costly, plan for the schedule we presently have. What we have done really is to say to the inventor, if your invention is worthy, is productive in subsequent years, then those fees, which you would rather not bear at the beginning but at subsequent periods of time, should be easier to pay than by any other method.

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And in response, literally, to the gentleman's concern—and it is a fair concern—we try to organize the payment in the European method so that the small inventor can determine how useful his invention really is, does it have a payoff in subsequent years so that he can afford not a much larger initial fee payment but one which is graduated over a period of time. We have had to do it that way or not at all, literally.

Mr. MILLER of Ohio. May I ask the gentleman, are there any restrictions on fees?

As I understand it, this legislation would not increase fees more than twice in 3 years. But is it possible that we might have an extremely high increase and inventors would not be able to spend large sums of money on a patent?

The SPEAKER pro tempore. The time of the gentleman from Wisconsin (Mr. KASTENMEIER) has expired.

Mr. KASTENMEIER. Mr. Speaker, I yield myself 1 additional minute.

Once in every 3 years, the Patent Office is able to raise the fee structure. I would say that during any period of time the Congress will maintain oversight over the Patent Office, whether it is independent or not, and would have to view the fees in terms of whether they are reasonable or not.

But we did want to get away from having to respond every other year or every period of time to the Congress setting the fees. So we did vest that authority in the Patent Office, subject to congressional oversight.

Mr. MILLER of Ohio. If the gentleman will yield, I feel the legislative history we have established here is good, inasmuch as the chairman has stated that the Congress will have oversight of the fees.

I thank the gentleman.

● Mr. HOLLENBECK. Mr. Speaker, I rise in support of H.R. 6933 to amend the patent and trademark laws. Our committee has held numerous hearings on the need to reform Federal patent policy, specifically as it affects patents growing out of federally funded R. & D.

Testimony before our committee indicates that commercialization of inventions for which there are no exclusive rights is approximately 1 percent, whereas for inventions for which a contractor retains exclusive rights to develop and market the invention, the commercialization rate is more nearly 20 percent. For this reason, I am a strong supporter of the general thrust of section 6 of this bill.

Section 6 serves two functions: First, it unifies Federal patent policies with regard to the results of federally funded R. & D. across all Federal agencies. Second, it grants contractors or research grantees an exclusive license to develop and market inventions growing out of th's research.

Mr. Speaker, I am well aware of the charge being made by many that since the taxpayers paid for this research, they should get the rewards of any inventions growing out of it. Under the bill, the taxpayers will be recompensed through the recoupment provisions. However, if we continue along our present way with the extremely low current rate of commercialization, no one benefits because no commercialization occurs from which recoupment might be obtained. Furthermore, it is vitally important as a contribution to the reinvigorating industrial innovation that we increase the rate of commercialization of Government funded research and development. I have supported this principle many times on the floor and in activities of our Science, Research and Technology Subcommittee.

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I must admit, however, Mr. Speaker, that this bill is not all that I might wish it to be. It is a product of compromise. I personally feel that the bureaucratic and administrative expenses of the licensing procedures proposed in this bill will more than outweigh the public return of this procedure.

I would prefer over the long run, therefore, to see us move toward a system of automatic granting of title to inventions growing out of Federal R. & D. rather than merely giving exclusive license on an ad hoc basis. I hope that perhaps next year we will have a chance to move further along the lines advocated in the bill reported out of our subcommittee and sponsored by my colleague, the gentleman from Pennsylvania (Mr. ERTEL). I am proud to note that I was also a cosponsor of that bill, H.R. 5715. In spite of the reservations I have expressed, I am still glad to see that many of the purposes and basic concepts of H.R. 5715 have been adopted.

Mr. Speaker, I would also like to praise this bill for its inclusion of a provision for reexamination of patents. Basically, this provision would permit any person to request the Patent Office to reexamine the validity of the claim of a patent on the basis of "prior art." Very often, for small businesses, someone will challenge a patent claim or someone has a potential rival invention and may wish to challenge an existing patent. As a result of the provision for reexamination, the potential conflict can be settled by the Patent Office itself in far shorter time and at far smaller expense to the challenger or to the patent holder than would be the case if the only recourse was through the court system. This provision will be of great benefit to small businesses for defending their patents. It will also speed up the elimination of invalid claims by patent holders and challenges by non-patent holders.

Mr. Speaker, in conclusion let me say that while this bill is not perfect, it contains many good points. I hope we can improve the limitations in the future, but I urge my colleagues to join me in supporting this bill now. It does indeed represent a large step forward in the direction of improving the uniformity and quality of our patent laws and will help to stimulate industrial innovation and economic productivity by increasing the commercial development of Federal R. & D. Thank you.

The SPEAKER pro tempore. Does the gentleman from Illinois have any further requests for time?

Mr. RAILSBACK. No; I do not, Mr. Speaker.

Mr. KASTENMEIER. Mr. Speaker, I have no further requests for time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Wisconsin (Mr. KASTENMEIER) that the House suspend the rules and pass the bill, H.R. 6933, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The title was amended so as to read: "A bill to amend the patent and trademark laws."

A motion to reconsider was laid on the table.

AUTHORIZING CLERK TO CORRECT SECTION NUMBERS AND CROSS-REFERENCES IN THE ENGROSSMENT OF H.R. 6933

Mr. KASTENMEIER. Mr. Speaker, I ask unanimous consent that the Clerk be authorized to correct section numbers and cross-references in the engrossment of the bill, H.R. 6933.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

GENERAL LEAVE

Mr. KASTENMEIER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H.R. 6933, just considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

RESOLUTION ON AGE AS A FACTOR IN THE CONSIDERATION OF CANDIDATES FOR FEDERAL JUDGESHIPS

Mr. DANIELSON. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 693) expressing the sense of the House of Representatives with respect to the policy of the Standing Committee on Federal Judiciary of the American Bar Association and the U.S. Department of Justice pertaining to potential nominees for lifetime Federal judgeships who, but for their age, might otherwise be found qualified.

The Clerk read as follows:

H. RES. 693

Whereas the Standing Committee on Federal Judiciary of the American Bar Association does not recommend an individual sixty years of age or older for an initial appointment to a lifetime Federal judgeship unless in excellent health and evaluated as "well qualified" or "exceptionally well qualified";

Whereas the Standing Committee on Federal Judiciary of the American Bar Association does not recommend an individual over sixty-four years of age for initial appointment to a lifetime Federal judgeship;

Whereas the Standing Committee on Federal Judiciary of the American Bar Association employs stricter criteria for considering district judges over sixty years of age for appointment to the courts of appeals;

Whereas the Attorney General of the United States is in general agreement with the policy of the Standing Committee on Federal Judiciary of the American Bar Association;

Whereas the policy of the Standing Committee on Federal Judiciary of the American Bar Association, as followed by the Attorney General of the United States, contradicts the spirit of the Age Discrimination in Employment Act Amendments of 1978 (29 U.S.C. 621 et seq.), and contradicts the spirit of the merit selection guidelines set forth in Executive Order 12059, pertaining to the selection of circuit judges, and Executive Order 12097, pertaining to the selection of district judges; and

Whereas the effect of the policy of the Standing Committee on Federal Judiciary of the American Bar Association, and the general concurrence with that policy by the Attorney General of the United States is to discriminate against qualified individuals solely on the basis of age: Now, therefore, be it

Resolved, That it is the sense of the House of Representatives that the Standing Committee on Federal Judiciary of the American Bar Association and the Attorney General of the United States immediately take all measures necessary to end discrimination against potential lifetime Federal judges who do not qualify solely as a result of arbitrary age barriers.

The SPEAKER pro tempore (Mr. KILDEE). Pursuant to the rule, a second is not required on this motion.

The gentleman from California (Mr. DANIELSON) will be recognized for 20 minutes, and the gentleman from Illinois (Mr. MCCLORY) will be recognized for 20 minutes.

The Chair recognizes the gentleman from California (Mr. DANIELSON).

GENERAL LEAVE

Mr. DANIELSON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks with respect to this resolution.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. DANIELSON. Mr. Speaker, I wish to point out that House Resolution 693 before us is a sense of the Congress which expresses the sense of the House that the Standing Committee on Federal Judiciary of the American Bar Association and the U.S. Department of Justice dispense with their present position that no one should be appointed to a Federal judgeship who has passed the age of 64 years.

A measure, in almost identical language, was passed by the other body earlier this year, by a recorded vote of 97 to 0. At that time, the bill was passed by Senator DECONCINI of Arizona, joined by Senator KENNEDY of Massachusetts and Senator THURMOND of South Carolina.

The purpose of this resolution is simply to recognize the fact that in the past 50 years there have been some remarkable changes in the health and life expectancy of people, and there is no logical reason to prohibit the appointment of persons to the Federal bench solely as a result of arbitrary age barriers. I emphasize that last phrase, "solely as a result of arbitrary age barriers."

Quite obviously, if persons being considered are not qualified from a professional point of view, or if they are in failing health or in questionable health, those are good reasons for preventing the appointment of a person to the bench. But to prevent the appointment solely because of age barriers and for no other reason, I submit, is not in keeping with today's philosophy, is contrary to the facts of life.

Let me point out a few things. In the year 2000, which is just around the cor-

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Mr. STEVENS. Mr. President, I certainly join with the majority leader in urging Members of the Senate to pay their personal respects to one of the greatest Americans of all time who is in the Capitol today. I hope that we will all accord him the courtesy that he is justly due.

RECESS FOR 10 MINUTES

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the recess extend for 10 minutes.

There being no objection, the Senate, at 2:49 p.m., recessed until 2:59 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. SARBANES).

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR RECESS FOR 30 MINUTES

Mr. ROBERT C. BYRD. Mr. President, since an order has already been entered for the Senate to proceed to the consideration of H.R. 6933 for not to exceed 5 minutes, I ask unanimous consent that, upon the disposition of that measure, the Chair declare a recess for 30 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

PATENT AND TRADEMARK LAWS AMENDMENTS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Committee on the Judiciary be discharged from further consideration of H.R. 6933.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill will be stated by title.

The legislative clerk read as follows:

A bill (H.R. 6933) to amend the patent and trademark laws.

The Senate proceeded to consider the bill.

UP AMENDMENT NO. 1779

(Purpose: To add the University and Small Business Patent Procedures Act to the bill)

Mr. DOLE. I send to the desk on behalf of the distinguished Senator from Indiana (Mr. BAYH) and myself an amendment in the nature of a substitute and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Indiana (Mr. BAYH), for himself and Mr. DOLE, proposes an unprinted amendment numbered 1779.

Mr. DOLE. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

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

"That title 35 of the United States Code, entitled 'Patents', is amended by adding after chapter 29 the following new chapter 30:

"Chapter 30—PRIOR ART CITATION TO OFFICE AND REEXAMINATION OF PATENTS

"Sec.
"301. Citation of prior art.
"302. Request for reexamination.
"303. Determination of issue by Commissioner.
"304. Reexamintion order by Commissioner.
"305. Conduct of reexamination proceedings.
"306. Appeal.
"307. Certification of patentability, unpatentability, and claim cancellation.

"§ 301. Citation of prior art

"Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

"§ 302. Request for reexamination

"Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Commissioner of Patents pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Commissioner promptly will send a copy of the request to the owner of record of the patent.

"§ 303. Determination of issue by Commissioner

"(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of the title, the Commissioner will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Commissioner may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title.

"(b) A record of the Commissioner's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

"(c) A determination by the Commissioner pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Commissioner may refund a portion of the reexamination fee required under section 302 of this title.

"§ 304. Reexamination order by Commissioner

"If, in a determination made under the provisions of subsection 303(a) of this title, the Commissioner finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302 of this title. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

"§ 305. Conduct of reexamination proceedings

"After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Board of Appeals, will be conducted with special dispatch within the Office.

"§ 306. Appeal.

"The patent owner involved in a reexamination proceeding under this chapter may appeal under the provisions of section 134 of this title, and may seek court review under the provisions of sections 141 to 145 of this title, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent.

"§ 307. Certificate of patentability, unpatentability, and claim cancellation

"(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Commissioner will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

"(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.".

SEC. 2. Section 41 of title 35, United States Code, is amended to read as follows:

"§ 41. Patent fees

"(a) The Commissioner of Patents will establish fees for the processing of an application for a patent, from filing through disposition by issuance or abandonment, for maintaining a patent in force, and for providing all other services and materials related to patents. No fee will be established for maintaining a design patent in force.

"(b) By the first day of the first fiscal year beginning on or after one calendar year after enactment of this Act, fees for the

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actual processing of an application for a patent, other than for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 25 per centum of the estimated average cost to the Office of such processing. By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for the processing of an application for a design patent, from filing through disposition by issuance or abandonment, will recover in aggregate 50 per centum of the estimated average cost to the Office of such processing.

"(c) By the fifteenth fiscal year following the date of enactment of this Act, fees for maintaining patents in force will recover 25 per centum of the estimated cost to the Office, for the year in which such maintenance fees are received, of the actual processing all applications for patents, other than for design patents, from filing through disposition by issuance or abandonment. Fees for maintaining a patent in force will be due three years and six months, seven years and six months, and eleven years and six months after the grant of the patent. Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of six months thereafter, the patent will expire as of the end of such grace period. The Commissioner may require the payment of a surcharge as a condition of accepting within such six-month grace period the late payment of an applicable maintenance fee.

"(d) By the first day of the first fiscal year beginning on or after one calendar year after enactment, fees for all other services or materials related to patents will recover the estimated average cost to the Office of performing the service or furnishing the material. The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents issued in that year will be $50.

"(e) The Commissioner may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Commissioner may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.

"(f) Fees will be adjusted by the Commissioner to achieve the levels of recovery specified in this section; however, no patent application processing fee or fee for maintaining a patent in force will be adjusted more than once every three years.

"(g) No fee established by the Commissioner under this section will take effect prior to sixty days following notice in the Federal Register.".

SEC. 3. Section 42 of title 35, United States Code, is amended to read as follows:

"§ 42. Patent and Trademark Office funding

"(a) All fees for services performed by or materials furnished by the Patent and Trademark Office will be payable to the Commissioner.

"(b) All fees paid to the Commissioner and all appropriations for defraying the costs of the activities of the Patent and Trademark Office will be credited to the Patent Office Appropriation Account in the Treasury of the United States, the provisions of section 725e of title 31, United States Code, notwithstanding.

"(c) Revenues from fees will be available to the Commissioner of Patents to carry out, to the extent provided for in appropriation Acts, the activities of the Patent and Trademark Office.

"(d) The Commissioner may refund any fee paid by mistake or any amount paid in excess of that required.".

SEC. 4. Section 154 of title 35, United States Code, is amended by deleting the word "issue".

SEC. 5. Section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113), is amended to read as follows:

"§ 31. Fees

"(a) The Commissioner of Patents will establish fees for the filing and processing of an application for the registration of a trademark or other mark and for all other services performed by and materials furnished by the Patent and Trademark Office related to trademarks and other marks. Fees will be set and adjusted by the Commissioner to recover in aggregate 50 per centum of the estimated average cost to the Office of such processing. Fees for all other services or materials related to trademarks and other marks will recover the estimated average cost to the Office of performing the service or furnishing the material. However, no fee for the filing or processing of an application for the registration of a trademark or other mark or for the renewal or assignment of a trademark or other mark will be adjusted more than once every 3 years. No fee established under this section will take effect prior to sixty days following notice in the Federal Register.

"(b) The Commissioner may waive the payment of any fee for any service or material related to trademarks or other marks in connection with an occasional request made by a department or agency of the Government, or any officer thereof. The Indian Arts and Crafts Board will not be charged any fee to register Government trademarks of genuineness and quality for Indian products of particular Indian tribes and groups.".

SEC. 6. (a) Title 35 of the United States Code, entitled "Patents", is amended by adding after chapter 37 the following new chapter 38:

"Chapter 38—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

"Sec.
"200. Policy and objective.
"201. Definitions.
"202. Disposition of rights.
"203. March-in rights.
"204. Preference for United States industry.
"205. Confidentiality.
"206. Uniform clauses and regulations.
"207. Domestic and foreign protection of federally owned inventions.
"208. Regulations governing Federal licensing.
"209. Restrictions on licensing of federally owned inventions.
"210. Precedence of chapter.
"211. Relationship to antitrust laws.

"§ 200. Policy and objective

"It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"§ 201. Definitions

"As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

"(b) 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. Such term 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 herein defined.

"(c) The term 'contractor' means any person, small business firm, or nonprofit organization that is a party to a funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(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 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.

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

"(h) The term 'small business firm' means a small business concern as defined at section 2 of Public Law 85–536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

"(i) 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.

"§ 202. Disposition of rights

(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however,* That a funding agreement may provide otherwise (i) when the funding agreement is for the operation of a Government-owned research or production facility, (ii) 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 this chapter or (iii) 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 of such activities. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

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"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the Comptroller General of the United States within thirty days after the award of the applicable funding agreement. 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.

"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's policies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred and twenty days of what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.

"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on the Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and 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 time.

"(3) A requirement that a contractor electing rights file patent applications 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, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign government or international organization pursuant to 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 and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(6) 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.

"(7) In the case of a nonprofit organization, (A) a prohibition upon the assignment of rights to a subject 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 or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor); (B) a prohibition against the granting of exclusive licenses under United States Patents or Patent Applications in a subject invention by the contractor to persons other than small business firms for a period in excess of the earlier of five years from first commercial sale or us 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. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use, and a first commercial sale or use with respect to a product of the invention shall not be deemed to end the exclusive period to different subsequent products covered by the invention; (C) a requirement that the contractor share royalties with the inventor; and (D) 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 inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203 and 204 of this chapter.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provision of this Act and regulations promulgated hereunder.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

"(f)(1) No funding agreement with a small business firm or nonprofit organization shall 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 head of the agency and a written justification has been signed by the head of the agency. Any such provision shall 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 head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph.

"(2) A Federal agency shall not require the licensing of third parties under any such provision unless the head of the agency 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 the practical application of the subject invention or work object. Any such determination shall be on the record after an opportunity for an agency hearing. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

"§ 203. March-in rights

"With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—

"(a) action is necessary because the contractor or assignee 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;

"(b) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;

"(c) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) action is necessary because the agreement required by section 204 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 204.

"§ 204. Preference for United States industry

"Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

"§ 205. Confidentiality

"Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

"§ 206. Uniform clauses and regulations

"The Office of Federal Procurement Policy, after receiving recommendations of the Office

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of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies implementing the provisions of sections 202 through 204 of this chapter and the Office of Federal Procurement Policy shall establish standard funding agreement provisions required under this chapter.

"§ 207. Domestic and foreign protection of federally owned inventions

"Each Federal agency is authorized to—

"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

"(2) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the provisions of chapter 29 of this title as determined appropriate in the public interest;

"(3) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract; and

"(4) transfer custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in any federally owned invention.

"§ 208. Regulations governing Federal licensing

"The Administrator of General Services is authorized to promulgate regulations specifying the terms and conditions upon which any federally owned invention, other than inventions owned by the Tennessee Valley Authority, may be licensed on a nonexclusive, partially exclusive, or exclusive basis.

"§ 209. Restrictions on licensing of federally owned inventions

"(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the license has supplied the agency with a plan for development and/or marketing of the invention, except that any such plan may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a federally owned domestic patent or patent application only if, after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the invention to practical application or otherwise promote the invention's utilization by the public; and

"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small business firms submitting plans that are determined by the agency to be within the capabilities of the firms and equally likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the United States in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with antitrust laws.

"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: *Provided*, That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code;

"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that the licensee is not executing the plan submitted with its request for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

"§ 210. Precedence of chapter

"(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, including but not necessarily limited to the following:

"(1) section 10(a) of the Act of June 29, 1935, as added by title I of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085);

"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742);

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c); 80 Stat. 721);

"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

"(11) subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5);

"(12) section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878);

"(13) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 86 Stat. 1211);

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

"(15) section 8001(c)(3) of the Solid Waste Disposal Act (42 U.S.C. 6981(c); 90 Stat. 2829);

"(16) section 219 of the Foreign Assistance Act of 1961 (22 U.S.C. 2179; 83 Stat. 806);

"(17) section 427(b) of the Federal Mine Health and Safety Act of 1977 (30 U.S.C. 937(b); 86 Stat. 155);

"(18) section 306(d) of the Surface Mining and Reclamation Act of 1977 (30 U.S.C. 1226(d); 91 Stat. 455);

"(19) section 21(d) of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2218(d); 88 Stat. 1548);

"(20) section 6(b) of the Solar Photovoltaic Energy Research Development and Demonstration Act of 1978 (42 U.S.C. 5585(b); 92 Stat. 2516);

"(21) section 12 of the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178(j); 92 Stat. 2533); and

"(22) section 408 of the Water Resources and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1360). The Act creating this chapter shall 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.

"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the disposition of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued on August 23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to

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allow such persons to retain ownership of inventions. Any disposition of rights in inventions made in accordance with the Statement or implementing regulations, including any disposition occurring before enactment of this section, are hereby authorized.

"(d) Nothing in this chapter shall be construed to require the disclosure of intelligence sources or methods or to otherwise affect the authority granted to the Director of Central Intelligence by statute or Executive order for the protection of intelligence sources or methods.

"§ 211. Relationship to antitrust laws

"Nothing in this chapter 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.".

(b) The table of chapters for title 35, United States Code, is amended by adding immediately after the item relating to chapter 37 the following:

"38. Patent rights in inventions made with Federal assistance.".

SEC. 7. Amendments to Other Acts.—The following Acts are amended as follows:

(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".

(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).

(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 3908 (g), (h), and (i); 88 Stat. 1889–1891).

SEC. 8. (a) Sections 2, 4, and 5 of this Act will take effect upon enactment.

(b) Section 1 of this Act will take effect on the first day of the seventh month beginning after its enactment and will apply to patents in force as of that date or issued thereafter.

(c) Section 3 of this Act will take effect on the first day of the first fiscal year beginning on or after one calendar year after enactment. However, until section 3 takes effect, the Commissioner may credit the Patent and Trademark Office appropriation account in the Treasury of the United States with the revenues from collected reexamination fees, which will be available to pay the costs to the Office of reexamination proceedings.

(d) Any fee in effect as of the date of enactment of this Act will remain in effect until a corresponding fee established under section 41 of title 35, United States Code, or section 1113 of title 15, United States Code, takes effect.

(e) Fees for maintaining a patent in force will not be applicable to patents applied for prior to the date of enactment of this Act.

(f) Sections 6 and 7 of this Act will take effect on the first day of the seventh month beginning after its enactment. Implementing regulations may be issued earlier.

(g) Sections 8 and 9 will take effect on the date of enactment of this Act.

SEC. 9. The Commissioner of Patents and Trademarks shall report to Congress, within 2 years after the effective date of this Act, a plan to identify, and if necessary develop or have developed, computerized data and retrieval systems equivalent to the latest state of the art which can be applied to all aspects of the operation of the Patent and Trademark Office, and particularly to the patent search file, the patent classification system, and the trademark search file. The report shall specify the cost of implementing the plan, how rapidly the plan can be implemented by the Patent and Trademark Office, without regard to funding which is or which may be available for this purpose in the future.

SEC. 10. (a) Section 101 of title 17 of the United States Code is amended to add at the end thereof the following new language:

"A 'computer program' is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.".

(b) Section 117 of title 17 of the United States Code is amended to read as follows:

"§ 117. Limitations on exclusive rights: Computer programs

"Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

"(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

"(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

"Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.".

Amend the title so as to read: "A bill to amend the patent and trademark laws.".

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

● Mr. BAYH. Mr. President, there has been no more troubling issue before this Congress than the disturbing slump in American innovation and productivity. This trend strikes at the very heart of our economy and leads to a loss of jobs, a weakening of the dollar, and a poor balance of trade.

There are many complex reasons for this unhealthy trend, yet virtually every expert who has testified before the Congress has mentioned the weaknesses in our present patent laws as a significant contributor to the problem. The amendment that I am offering to the House-passed bill, H.R. 6933, represents an important step in solving this patent problem.

The amendment that I am offering represents in essence the patent policy incorporated in S. 414, which was overwhelmingly passed by the Senate after being unanimously reported out of the Senate Judiciary Committee.

This new policy will make federally supported research and development more productive by allowing the private sector to develop many inventions now left gathering dust on the shelves of Government agencies. This patent policy revision will give small businesses and universities conducting research and development for the Government the incentive to develop and market the inventions that they make while fully protecting the rights of the Government and the public. This concept has received wide support from both sides of the aisle because of the overwhelming evidence of the present inefficiencies in the present patent policies. The full legislative history of this provision is found in the Senate Judiciary Committee report on S. 414 (96–480) which fully spells out the intent of the Congress and specifies how this patent policy is to be implemented.

Section 210(c) is intended to make clear that the disposition of rights in inventions to contractors not covered by this act shall continue to be governed by the President's statement on Government patent policy and implementing agency regulations. Implementing regulations and policies granting ownership rights to such contractors are not intended to be adversely affected by enactment of this act; and dispositions pursuant to such statements and implementing regulations prior to enactment of this act are expressly authorized by this act.

The other provisions of the present amendment will allow the Patent and Trademark Office to reexamine issued patents. This concept was unanimously supported by the Senate when it passed my bill, S. 2446. The present reexamination procedure is that passed by the House, which is essentially the same as that already passed by the Senate.

Reexamination will allow patent holders and challengers to avoid the present costs and delays of patent litigation. The American Patent Law Association testified to the Judiciary Committee that patent litigation can cost both parties $250,000 and take years to settle. Quite obviously, this sum is beyond the means of many patent holders, particularly small businesses and independent inventors, and is a sizable burden to any business. Patent reexamination will also reduce the burden on our overworked courts by drawing on the expertise of the Patent and Trademark Office for an estimated $1,000 to $1,500 per case. Reexamination has been endorsed by the American Bar Association and the American Patent Law Association and is a much needed improvement in our present system that will strengthen the American patent system.

The Senate Judiciary Committee and the Appropriations Committee have been concerned about the continued underfunding of the Patent Office. The amendment that I am offering includes the first increase in patent and trademark fees in 15 years. The language is that already approved by the House.

The House provision includes a system of maintenance fees so that a patent holder can spread out his payments over a number of years. I believe that the Senate should accept this concept with the provision that patent holders be personally notified through the mail shortly before their payments are due. I fear that unless this is done small business patent holders or independent inventors might inadvertently miss a deadline and thereby permit their patent to lapse. So

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with this one minor addition in the legislative history of the fee provision, I recommend that it be accepted. There should also be provisions made in the implementing regulations of the Patent and Trademark Office to extend the deadline if a patent holder should inadvertently miss payment through no fault of their own.

Few would argue that trademark fee adjustments are not needed. They have not been increased for years. Rather than merely increasing fees, this bill ties them to recovering an established percentage of average estimated costs, without any feeling or control. Unquestionably, support for fee increases based on a percentage of cost recovery waned dramatically when the language creating a Patent and Trademark Office independent of the Department of Commerce, an action I actively sought, was deleted from this legislation. In any case, this open-ended structure should not be construed as a "blank check."

Today, conditions in the trademark office are nothing short of a national disgrace and although remedies are being sought, we are far from realizing an efficiently run operation. Some estimate that, in 5 years, the length of time it takes to receive a registration may stretch from over 2 years to a deplorable 7 years. Reasonably, this period should not exceed 1 year. Furthermore, when registrations are issued, they are frequently mailed to the wrong company, much of the Office's official correspondence is handled in longhand due to a shortage of clerk typists and the statutorily required publication of the official gazette, when it does occur, is months behind and has resulted in an inordinate backlog. It will cost a great deal of money to straighten out this disastrous mess and increased fees will help. However, I am certain that it is not the intent of my colleagues that American businesses and individuals be forced to pay the cost of past management errors in the Patent and Trademark Office (PTO) and the Department of Commerce. Additionally, while there is no provision in this legislation to prohibit the commingling of patent and trademark fees revenues to offset expenditures of the PTO, it is the intent of this body that they be kept separate.

Of even more serious import to U.S. trademark owners is the impact on fees that will result should the Senate ratify the Trademark Registration Treaty. This treaty, as it substantially reduces for foreign nationals to file, makes it easier for them to present their applications for processing. Cost of trademark operations within the PTO cannot help but soar and backlog will certainly be magnified. The number of oppositions will increase and printing costs will be much higher. Because this legislation does not take this possibility into account and bases the fees which American businesses must pay on aggregate costs, I have confidence that Congress will examine this new trademark fee structure when it considers the impact on the PTO of the treaty to insure that American trademark owners, both individuals and businesses, do not subsidize the costs of their foreign competitors.

The Congress should exercise an oversight of the implementing regulations as this increase in patent and trademark fees goes into effect to insure that it does not have a negative impact on independent inventors and small businesses. It is not the intent of the Senate that fees should be raised to the point that these important sources of innovation are discouraged or prohibited from filing patent and trademark applications by their financial limitations. It would be counterproductive to the patent and trademark system if this concern were not carefully weighed by the Patent and Trademark Office.

As required by the Regulatory Flexibility Act (Public Law 96-354) and the present act (H.R. 6933), the Patent and Trademark Office is required to adopt regulations for the patent fees of section 41(a) of this act that will reflect the ability of small entities to pay such charges. Consideration must be given to several tiers of processing, filing, and maintenance charges.

My amendment will also authorize a 2-year study of the feasibility of computerizing many of the operations of the Patent and Trademark Office. The Judiciary Committee has been very concerned with reports it has received about missing patent files and the uncertainty of many issued U.S. patents. Computerization should significantly modernize the operations of the Office and this study will be very important in determining how best to proceed.

Finally, Mr. President, this amendment clarifies the 1976 Copyright Act as it is related to the ability to obtain copyrights on computer software. This language reflects that proposed by the Commission on New Technological Uses of Copyrighted Works and is supported by the Copyright Office.

This amendment represents a satisfactory compromise between the positions of the Senate and the House. This bill will be a significant step forward not only for the patent system, but for American innovation and productivity. I urge my colleagues to join with me in supporting this vitally important legislation.●

● Mr. SCHMITT. Mr. President, as most of my colleagues are undoubtedly aware, recent economic indicators suggest that the United States is experiencing an alarming decline in the rate of technological innovation and economic growth. Symptoms of this decline are reflected in the growing international trade deficit, diminishing national productivity, and the increasing penetration of domestic markets by foreign competitors.

The Senate Science, Technology, and Space Subcommittee, chaired by Senator STEVENSON and on which I serve as the ranking member, has had a longstanding interest in the industrial innovation process and Federal policies which adversely impact upon it. For the past 2 years the subcommittee in cooperation with the Banking Committee has conducted extensive oversight hearings examining the direction of Federal R. & D. and the Federal Government's role in promoting the development, application, and diffusion of new technologies.

In addition, the committee has held 4 days of hearings on my bill, S. 1215, and reported it out of committee. S. 1215 addresses these problems in a comprehensive manner, treating all contractors, small, medium, and large, equally.

The problems identified through these hearings are varied and complex—overburdensome and costly regulations, lack of an overall trade policy, counterproductive tax policies, and inadequate funding of basic research, to name just a few. Nevertheless, there are steps which the Federal Government can and should take to reverse the downward trend in the development of new products and processes. Reform of patent activities and policies is at the top of the list.

Mr. President, in my judgment, there is a clear need for the establishment and implementation of a uniform Governmentwide patent policy that would address all recipients of Federal R. & D. funds.

The bill, H.R. 6933, provides for such a policy but only for small and nonprofit businesses, and academic institutions. While I support the basic objectives of the bill, I am concerned that the bill does not go far enough. The problems this Nation is experiencing in technological innovation go far beyond small business and universities which together comprise but a small percentage of all Federal contracts. We cannot afford to ignore that segment of private enterprise consisting of medium-sized and larger businesses which perform 90 percent of our federally sponsored R. & D. effort and account for more than half of U.S. industrial employment, and 85 percent of U.S. exports.

I believe the correct approach would allow all contractors, regardless of size or profit status, to acquire title to their inventions made under Federal contracts while retaining the structure, protections, and essential provisions of H.R. 6933. It is important to achieve the widest possible application of Government-supported technology at a time of lagging innovation, stagnant productivity growth, and declining U.S. competitiveness in the international and domestic marketplaces.

Mr. President, I am hopeful that early in the next Congress we can more thoroughly address the problem of lagging technological innovation through implementation of a governmentwide patent policy that is applicable to all contractors, regardless of size.

I view the legislation before us today as only the first small step in the process of providing incentive for technological innovation among all recipients of Federal R. & D. funds, and urge my colleagues to continue their efforts toward that end.●

Mr. DOLE. Mr. President, the present patent policy generally encourages retention by the Government of rights to inventions it sponsored. This policy has resulted in a reluctance by universities and industry to invest the necessary funds for the development and marketing of inventions emanating from fed-

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erally funded research. This is understandable in view of the fact that the development process is not only risky but expensive, and estimated to cost 10 times the cost of the initial research.

By obstructing patent rights and innovations, the Government increases the factor of uncertainty in an already uncertain area, that of technology end result. By denying the modicum of protection that the granting of patent rights for a limited period of time would afford, the Government removes the incentive that would stimulate the private sector to develop and market inventions.

IMPACT OF FEDERAL POLICY

The effect of this policy is twofold, bearing on the consumer as well as on the economy in general. In both cases, the public is the victim. When large amounts of taxpayers' money are directed to the research field, the public expects and deserves to reap the benefit of its investment in the form of products available for its consumption. When this fails to materialize, it is obvious that the Government has reneged on its promise. This is evidenced by the fact that, of the 28,000 inventions funded by the Government, only about 5 percent have been used.

The damaging impact of the Federal patent policy on the economy is dramatic. That we have lost our leadership role to Japan in the fields of electronics and shipbuilding is no accident. Without short-term exclusive rights, small firms cannot take the risk of bringing innovations to the commercial market, but large foreign firms can and are doing so, with ideas gleaned from U.S.-funded research. That the richest Nation on Earth has a trade deficit with Japan amounting to $13 billion leaves room for reflection, when one considers the fact that Japan has no natural resources on her mainland. Our annual growth is 3 percent as opposed to 8 percent in Japan. Our newly established ties with China make the People's Republic a candidate for emulation of the Japanese example, with a population of 900 million people, through the potential use of U.S. technology to which its access is now guaranteed, China could become a most formidable competitor.

The development of technological innovation by Government and industry in countries such as Japan and Germany, is a contributing factor in their dominance of world trade.

WHAT IS THE ANSWER?

Protectionism is not what I am advocating. Such a theory would be counterproductive and one I do not adhere to on general principles. What I am rather suggesting is that the answer to foreign competition lies neither in an increase of export subsidies, nor in an increase of tariffs, but in an increase in productivity. I believe that the protection that patent rights for a limited amount of time would guarantee to American business would be a giant step toward providing incentives for greater productivity.

Our economy is one which has always run on America's innovative genius. This resource must not be allowed to waste away on account of unnecessary delays and redtape. Complex rules and regulations devised by Federal agencies are detrimental to stimulating productivity and enterprise. They are particularly harmful to small business from which, traditionally, innovative, and creative programs have emanated. In the field of medical innovation, the obstruction of patent rights by Federal agencies is an extremely serious problem. Indeed, when medical inventions offering potential cures for diseases are withheld, it is the very lives of Americans which are affected.

The almost adversarial relationship that now exists between business and Government must be replaced by a true and genuine partnership in which the Government will act as impresario in bringing industry and universities together with new fields of knowledge, and their practical implementation.

PATENT POLICY

The amendment that I am cosponsoring represents the patent policy incorporated in S. 414, which was overwhelmingly passed by the Senate after being unanimously reported out of the Senate Judiciary Committee.

This new policy will result in an increase in productivity by allowing the private sector to develop many inventions now left on the shelves of Government agencies. Small businesses and universities that conduct research and development for the Government will now have the incentive to develop and market the inventions that they create.

THE PATENT TRADEMARK OFFICE

An estimated 2 to 28 percent of the search files are missing in each patent subclass. Therefore, when patent examiners are searching these files, when seeking prior patents and relevant materials, in order to determine whether or not to grant a patent, some of the necessary materials are missing. The failure of the patent examiner to cite all of the relevant materials and patents in his report can be used to challenge the patent's validity in court.

If the Patent and Trademark Office is to meet its responsibilities to the patent applicant for prompt issuance and still insure that all of the relevant materials have been considered, the PTO must be given the authority to reexamine patents.

PATENT REEXAMINATION

As drafted, H.R. 6933 allows a person who wanted to challenge an issued patent on the basis of prior art or printed publications they would file a request with the PTO along with the fee and the evidence that is relevant to patent challenge. The patent holder would be informed of the challenge and would receive a copy of any cited material being used to question his patent. Within 90 days of receipt of this request, the Commissioner of the PTO would issue an initial decision. The patent holder would have the right to appeal the Commissioner's decision if the patent was invalidated.

Under H.R. 6933 the courts would have the option of accepting patent validity cases.

The other provisions of this amendment will result in an increase in patent and trademark fees. These fees have not been increased for 15 years.

Trademark fees have not been increased for years. This bill will tie the increase in fees to the recovery of an established percentage of average estimated cost, without any feeling of control.

Congress must exercise oversight of the implementing regulation since this increase in patent and trademark fees goes into effect to insure that it does not have a negative impact on independent inventors and small businesses.

Additionally, this amendment will clarify the 1976 Copyright Act as it pertained to the ability to obtain copyrights on computer software. This language reflects that proposed by the Commission on New Technological Uses of Copyrighted Works and is supported by the Copyright Office.

Mr. President, this amendment is an acceptable compromise between the versions offered by the Senate and the House. It is a hope of the Senator from Kansas that this legislation will be a significant step forward for American innovation and productivity. I urge my colleagues to support this necessary piece of legislation.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 6933), as amended, was passed.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the bill passed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

RECESS FOR 30 MINUTES

The PRESIDING OFFICER. Pursuant to the previous order, the Senate now stands in recess for 30 minutes.

Thereupon, at 3:06 p.m., the Senate recessed for 30 minutes; whereupon, at 3:36 p.m., it reassembled when called to order by the Presiding Officer (Mr. SARBANES).

Mr. RIEGLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, what is the pending question before the Senate?

The PRESIDING OFFICER. The motion to proceed to the consideration of S. 1480.

RECESS UNTIL 4:30 P.M.

Mr. ROBERT C. BYRD. Mr. President, I am informed that the parties are still negotiating and need a little more time. Therefore, I ask unanimous consent that

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PATENT AND TRADEMARK LAWS

P.L. 96-517, see page 94 Stat. 3015

House Report (Judiciary Committee) No. 96-1307(I), Sept. 9, 1980 [To accompany H.R. 6933]

House Report (Government Operations Committee) No. 96-1307(II), Sept. 23, 1980 [To accompany H.R. 6933]

Cong. Record Vol. 126 (1980)

DATES OF CONSIDERATION AND PASSAGE

House November 17, 21, 1980

Senate November 20, 1980

No Senate Report was submitted with this legislation.

HOUSE REPORT NO. 96-1307, PART 1

[page 1]

The Committee on the Judiciary to whom was referred the bill (H.R. 6933) entitled: "To amend the patent and trademark laws", having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

* * * * * * * * * *

STATEMENT

THE NEED FOR THE LEGISLATION

Many analysts of the U.S. economy have warned that the roots of the current recession lie in a longer term economic malaise which arises out of a failure of American industry to keep pace with the increased productivity of foreign competitors.[1]

According to the Committee for Economic Development, "the slowing of productivity improvement during the past few years parallels the discouraging decline in the rate of investment in plant and equipment." [2] The rate of investment as a proportion of GNP has averaged about one half the rate for France and Germany and about one third the rate for Japan. Further, the situation does not

[1] Report of the President's advisory Committee on Industrial Innovation, Sept. 1979.
[2] *Stimulating Technological Progress.* A statement by the Research and Policy Committee of the Committee for Economic Development, Jan. 1980. pp. 2-7.

[page 2]

appear to be improving. There has been an especially significant decline in total U.S. expenditures for research and development, as

measured in constant dollars since 1970.[3] Since the primary means of improving productivity lies in the creation of new technologies, the decline in expenditures for research and development is especially significant to the health of the overall economy.

Testimony presented to the Subcommittee on Courts, Civil Liberties and the Administration of Justice also indicates that the Federal Government is bearing an ever increasing share of the burden of financing basic research and development.[4] This means that the effective commercialization of government financed research is becoming an ever more important issue for those who are concerned with industrial innovation. The patent policies governing the utilization of government funded reseach will become even more important when the research expected to flow out of recent Congressional enactments such as the Energy Security Act of 1980 [5] begins to produce usable new technologies. It is highly likely that the fuel which powers our automobiles and the boilers which heat our homes will owe part of their chemical composition or mechanical operation to patented research developed in part by government funds. At the present time U.S. companies desiring to use government funded research to develop new products and processes must confront a bewildering array of 26 different sets of agency regulations governing their rights to use such research. This bureaucratic confusion discourages efficient use of taxpayer financed research and development.

HISTORY OF THE BILL

The crisis in U.S. productivity and the governmental role in it has not gone unnoticed, however. In May of 1978 the President called for a major policy review of industrial innovation as the key to increased productivity in the United States. This White House call to action resulted in the creation of an advisory Committee of more than 150 senior representatives from the industrial, public interest, labor, scientific, and academic communities. The work of the Advisory Committee was overseen by a cabinet level coordinating committee chaired by the Secretary of Commerce. The Committee studied all the areas in which federal government policy impacts on productivity and innovation in the private sector. These fields of inquiry included: economic and trade policy; environmental, health and safety regulations; anti-trust enforcement; federal procurement policies, and federal patent and information policies.

When the advisory committee issued its 300 page report last year, a key segment contained recommendations on government patent policy. These recommendations, in turn, were received by the President, and formed the basis of a major legislative proposal which was conveyed to the Congress. Special emphasis was placed on the role of the patent system and the patent policy regarding government funded research in promoting industrial innovation. These patent related recommendations were forwarded to the Com-

[3] *Science Indicators,* National Science Board, 1976, pp. 108-115.
[4] Testimony of Pindaros Roy Vagelos, M.D., before the subcommittee on Courts, Civil Liberties and the Administration of Justice April 15, 1980, transcript p. 14.
[5] P.L. 96-294.

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mittee on the Judiciary and are embodied in H.R. 6933 and H.R. 3806.

H.R. 6933 has three major thrusts. First, it strengthens investor confidence in the certainty of patent rights by creating a system of administrative reexamination of doubtful patents. Secondly, it strengthens the financial resources of the Patent Office to provide fast and accurate processing of patent applications by revising the fee structure of the Office. Finally, the existing melange of 26 different agency policies on vesting of patent rights in government funded research is replaced by a single, uniform national policy designed to cut down on bureaucracy and encourage private industry to utilize government funded inventions through the commitment of the risk capital necessary to develop such inventions to the point of commercial application.

H.R. 3806 embodies another recommendation of the Advisory Committee and the President. It grants jurisdiction over appeals in patent cases to a single court of appeals—ending the current legal confusion created by 11 different appellate forums, all generating different interpretations of the patent law. The new court will do a great deal to improve investors' confidence in patented technology.

In addition to the three broad areas already outlined, H.R. 6933 addresses the special needs of Universities and small businesses when they attempt to deal with patent issues arising out of government contracts. Both of these groups lack the resources to cope with the bewildering regulatory and bureaucratic problems associated with transfer of patent rights pursuant to government contracts; and the university sector in particular is an important link to the private sector.

The Subcommittee on Courts, Civil Liberties and the Administration of Justice held seven days of hearings on H.R. 6933 and related patent law proposals. In all, over thirty witnesses from Government, the private Bar, industry, education, small business, and the judiciary offered testimony on the various legislative proposals before the subcommittee. Hearings were followed by four days of markup, during which H.R. 3806, creating a new Court of Appeals for the Federal Circuit, H.R. 6933, containing reforms in patent policy and procedures, and H.R. 6934, clarifying the law of copyright of computer programs, were reported favorably. Each bill was reported unanimously. The unanimous votes, particularly on H.R. 6933, were cast only after careful examination of the legislation in light of the criticisms made during the hearings and after consultation with members of the Committee on Science and Technology, which shares jurisdictional interest. During the course of markup H.R. 6933 was amended substantially to respond to criticisms raised during the hearing.

Summary of the Bill

H.R. 6933, as amended, addresses four major issues. Section 1 provides for a system of administrative reexamination of patents within the patent office. This new procedure will permit any party to petition the patent office to review the efficacy of a patent, subsequent to its issuance, on the basis of new information about preexisting technology which may have escaped review at the time of the initial examination of the patent application. Reexamination

will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation. This, in turn, will promote industrial innovation by assuring the kind of certainty about patent validity which is a necessary ingredient of sound investment decisions.

The cost incurred in defensive patent litigation sometimes reaches $250,000 for each party, an impossible burden for many smaller firms. The result is a chilling effect on those businesses and independent inventors who have repeatedly demonstrated their ability to successfully innovate and develop new products. A new patent reexamination procedure is needed to permit the owner of a patent to have the validity of his patent tested in the Patent office where the most expert opinions exist and at a much reduced cost. Patent office reexamination will greatly reduce, if not end, the threat of legal costs being used to "blackmail" such holders into allowing patent infringements or being forced to license their patents for nominal fees.

The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system.

The bill does not provide for a stay of court proceedings. It is believed by the committee that stay provisions are unnecessary in that such power already resides with the Court to prevent costly pretrial maneuvering which attempts to circumvent the reexamination procedure. It is anticipated that these measures provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner.

Sections 2 through 5 of H.R. 6933 provide for a new fee structure for the patent office. At the present time patent examination fees are established by statute, last revised in 1967. When enacted, the present fee structure provided revenues which met 67 percent of the costs of operating the Patent Office. Inflation has now reduced the impact of those fees to the point where they generate only 27 percent of the funding necessary to the operation of the office.

At the present time patent fees average about $239 per application.[6]

H.R. 6933 would entirely revise the fee structure. It grants the Commissioner the power to establish fees. As introduced, the bill provided that the fee level would be revised yearly to generate 60 percent of the revenue needed to operate the office. However, the subcommittee amended the bill to reduce that level to 50 percent. This was in response particularly to criticism from small business and individual inventors that the fees would place too great a burden on those groups.

In order further to soften the impact on small business and individual inventors, the fees are to be paid in four installments over the life of the patent. This system, known as maintenance fees, is in use in most advanced industrial nations and has the advantage of deferring payment until the invention begins to return revenue to the inventor.

[6] Testimony of Honorable Sidney Diamond, Commissioner of Patents, April 24, 1980—p. 50.

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Should the invention prove to have no commercial value, the inventor has the option of permitting the patent to lapse, thus avoiding all further fees.

Section 6 of H.R. 6933 provides for a uniform policy governing the disposition of patent rights in government funded research. This would replace the 26 different agency policies now in effect. There are two patent policies provided in this section. Non-profit research institutions and small businesses are given preferential treatment. The legislation establishes a presumption that ownership of all patent rights in government funded research will vest in any contractor who is a non-profit research institution or a small business. This portion of H.R. 6933 substantially incorporates legislation separately introduced, H.R. 2414 (S. 414), entitled the University, Small Business Patent Policy Act.

Large businesses are governed by a separate policy. They receive exclusive licenses for specific uses they intend to commercialize. As with small business and universities, here too the presumption lies with the granting of exclusive rights to the Contractor.

Critics of the bill testified that it would be impossible for a contractor to determine in good faith his ability to commercialize in a particular field of use at the time of disclosure of the invention.

As a result and for the purposes of foreign patent rights, the subcommittee approved an amendment which grants temporary title to a contractor for up to four and one half years before requiring him to specify his fields of use. This provides for more flexibility for the contractor while at the same time protecting the taxpaying public because:

1. The government, not the contractor, will obtain ownership of patent rights to contract inventions.
2. The government will permit contractors to obtain exclusive licenses but only for fields of use in which they intend to commercialize a patented invention.
3. The government has the right to deny the transfer of exclusive rights for any field of use within 90 days of the contractor's disclosure of a field or fields of use he intends to commercialize.
4. Public interest antitrust and national security standards are to be applied by the government in making such determination whether to deny an exclusive license.

From a contractor point of view, the amendment offers many of the advantages of patent ownership, including full title abroad and the right to sublicense domestically.

From an innovation point of view, the requirement that exclusive licenses be limited to specified fields of use that the contractor intends to commercialize should prevent sitting on technology, and spur innovation.

Some contractors, particularly in the defense area, will lose some rights which they presently receive through full waiver. However, the overwhelming number of contractors will receive faster, more efficient treatment under these provisions. For example, delays in acting on patent right waiver requests, which now take on the average a year and a half in agencies like the Department of Energy, will be eliminated. Contractors will know their rights with certainty within 90 days of identifying a specific field of use under a patent to a government financed invention.

In developing the amendment to this section, it should be noted that the subcommittee worked closely with the Science and Technology Committee, and it is particularly grateful to members of that Committee for their contributions.

Finally, sections 9 and 10 of the bill, as reported by the subcommittee, reflect amendments which are designed to respond to the criticism of witnesses who argued both that the Patent Office ought to be independent of the Department of Commerce and that the present search files of the Office fail to effectively utilize modern computer technology.

Section-by-Section Analysis

REEXAMINATION

Section 1 of the bill would add seven new sections to the patent laws to establish a patent reexamination system. These seven new sections would constitute chapter 30 of title 35 of the United States Code.

Section 301. Citation of prior art

Section 301 provides statutory authority for the citation to the Patent and Trademark Office (PTO) of prior art consisting of patents or printed publications which a person believes to have a bearing on the patentability of any claim of a particular patent. Section 301 would make clear that a citation of prior art is not to be included in the official file on a patent unless the citer submits a written statement as to the pertinency and applicability to the patent. Section 301 also would require the PTO to keep the identity of the citer of prior art confidential if the citer so requests in writing. Without the confidentiality provision, competitors of a patent owner might be reluctant to cite prior art to the PTO.

Section 302. Request for reexamination

Section 302 provides authority for any person to seek reexamination by the PTO on the basis of the patents and printed publications cited under section 301. Such a person need not be the one who cited prior art under section 301. The person could even be the patentee.

Section 302 requires that the person seeking reexamination pay a fee established by the Secretary. Under section 2 of this bill, the Secretary would be required to establish a fee to recover the estimated average cost of a reexamination proceeding. Thus, those who request reexamination would pay for it.

Section 302 requires the Commissioner to send a copy of the request promptly to the patent owner, as shown by the records of the Office. The patent owner would have to see that his ownership and current address are recorded properly so that the request is not sent to a previous owner.

Section 303. Determination of issue by Commissioner

Subsection 303(a) requires the Commissioner to determine if a "substantial new question of patentability" is raised in connection with any claims of the patent against which a patent or printed publication is cited and to order reexamination upon a positive de-

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termination. Further, it would permit the Commissioner to initiate reexamination without a request upon a determination that a substantial new question of patentability is raised by patents or publications discovered by him or cited under the provisions of section 301. This authority to initiate reexamination without a request is not intended to abrogate in any way the right of the United States to sue to cancel a patent obtained by fraudulent means.

This "substantial new question" requirement would protect patentees from having to respond to, or participate in unjustified reexaminations. Further, it would act to bar reconsideration of any argument already decided by the Office, whether during the original examination or an earlier reexamination.

Subsection 303(b) requires that the Commissioner's determination be recorded in the file of the patent and a copy promptly sent to the patent owner and the person requesting the reexamination.

Subsection 303(c) makes final and nonappealable a decision by the Commissioner not to conduct reexamination. In such a case, however, a portion of the reexamination fee could be returned.

No one would be deprived of any legal right by a denial by the Commissioner of a request for reexamination. A party to a reexamination proceeding could still argue in any subsequent litigation that the PTO erred and that the patent is invalid on the basis of the cited prior art.

Section 304. Reexamination order by Commissioner

Section 304 specifies the initial steps to be taken where the Commissioner determines that reexamination should be ordered. Upon issuance of a determination ordering reexamination, the patent owner would be given the opportunity to file a statement with the Office and, if he wishes, to propose an amendment to the specification or claims of his patent as well as a new claim or claims in response to the Commissioner's determination. The patent owner would be required to serve a copy of any such statement and any proposed amendment on the person requesting reexamination, who would be permitted to file a reply with the Office, with service required on the patent owner.

Section 305. Conduct of reexamination proceedings

Section 305 governs the conduct of the actual reexamination proceeding. Section 305 specifies that after the initial exchange permitted under section 304, the PTO will utilize the same procedures it uses for the initial examination of patent applications under patent law sections 132 and 133. The patent owner could propose an amendment to his patent specification or claims, as well as propose a new claim or claims, to distinguish his invention from the prior art cited under section 301. However, the bill would prohibit the Commissioner from granting during reexamination any amended or new claim that enlarges the scope of a claim of the original patent. Also, the bill would require reexamination to be promptly handled, so as to make it as helpful as possible.

Section 306. Appeal

Section 306 grants a patent owner the right to pursue the same appeal routes available to patent applicants. An adverse decision on reexamination by the primary examiner could be appealed to

the Board of Appeals. Adverse final decisions on reexamination by the Board of Appeals or by the Commissioner could be appealed to the U.S. Court of Customs and Patent Appeals or de novo review of the reexamination decision could be sought in the United States District Court for the District of Columbia.

Section 307. Certificate of patentability, unpatentability, and claim cancellation

Section 307(a) requires the Commissioner at the conclusion of reexamination to cancel any patent claim found to be unpatentable, confirm any patent claim found to be patentable, and add any amended or new claims found to be patentable.

Subsection 307(b) provides intervening rights similar to those provided by patent law section 252 with respect to reissued patents. Thus, a person practicing a patented invention would not be considered an infringer for the period between issuance of an invalid patent and its conversion through reexamination to a valid patent.

It ordinarily is in the interests of both parties to expedite the disposition of patent litigation. A party discovering new prior art on which reexamination might be conducted ordinarily will reveal it promptly to the patent owner. If he does not, the court may exercise its equity power by allowing the patent owner to request reexamination later in the trial, or precluding the party from relying on such prior art or by other appropriate measures.

ADMINSTRATIVE FEE SETTING

Section 2 of the bill would restructure and modernize completely section 41 of title 35, United States Code—the basic fee provision of the patent laws.

The committee recognizes that the PTO, in issuing patents and registering trademarks, performs a significant public service in implementing the Federal patent and trademark laws and also confers benefit on private persons who seek to protect their intellectual property. The Committee, therefore, supports the premise that patent applicants and those seeking to register trademarks should bear a significant share of the cost of operating the PTO by the payment of fees. However, the Committee has made certain amendments to the formula which empowers the Commissioner to set these fees. Certain costs of operating the PTO confer no direct benefit on applicants but rather go to meet the responsibility of the Federal Government to have a PTO in order to execute the law. For example, the cost of executive direction and administration of the office, including the Office of the Commissioner and certain agency offices involved with public information, legislation, international affairs and technology assessment. Maintaining the public search room confers a general public benefit, as does the maintenance of the patent files in depository libraries. The contribution to the World Intellectual Property Organization relative to the Patent Cooperation Treaty is a treaty obligation. These costs should be paid for entirely from appropriated funds.

The committee inserted the word "actual" in this legislation to describe those costs which should be assumed 50 percent by applicants. Patent applicants should bear through the payment of fees, 25 percent in processing of fees, and 25 percent in maintenance

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fees, the cost of the patent examiners and their clerical support, as well as quality review, appeals, interferences, and patent printing including internal PTO printing costs. Also, "actual" is intended to exclude from such costs the acquisition or replacement of equipment where such acquisition or replacement involves substantial capital outlays. Such expenditures would be paid from the Patent and Trademark Office's appropriation. The cost of data and document retrieval systems, however, to the extent that these expenditures goes toward the reclassification of the patent search file, should be borne 50 percent by the public. These are the actual costs of processing patent applications, an activity which confers certain direct benefits on private persons.

The committee notes that the PTO furnishes to the public copies of issued patents for a fee. The costs to the PTO of such copies should be charged to applicants.

The trademark examiners and their clerical support, the trial and appeal process, and trademark printing should be paid for to the extent of 50 percent by applicants for the registration of trademarks.

Some of the cost of operating the PTO confers no direct benefit to the general public, but rather goes to providing services to private parties. The cost of customer services such as providing copies should be recovered 100 percent in fees. Also, in the patent process, drafting and assignments should be self-supporting.

ILLUSTRATIVE EXAMPLE OF PTO RECOVERY POLICY—BASED ON FISCAL YEAR 1981 BUDGET

I. Government 100 percent: Commissioner (includes Office of Information Services); Office of Legislation and International Affairs; Management planning; Administrative services; Automatic data processing; and Search room.

II. Government 50 percent/users 50 percent: Examination—professional staff; Quality review; Clerical force; Appeals; Interferences; Patent printing; Solicitor; Data and document retrieval; publication services; Examination of trademarks; Trademark trial and appeal; and Trademark printing.

III. Users 100 percent: Customer services; drafting; and assignment.

Section 41. Patent fees

Subsection 41(a) authorizes the Secretary of Commerce to set fees administratively for processing a patent application, for maintaining a patent in force, and for providing all other patent services and materials.

Subsection 41(b) requires the Secretary of Commerce to establish fees for processing patent applications, from filing to disposition by issuance or abandonment, equal in aggregate to 25 percent of the estimated average cost of actually processing an application. As fee revenues and costs change, the Secretary would adjust fees to achieve the specified recovery rate once every three years. These fees are those of the type now specified in paragraphs 1, 2, 3, and 6 of existing subsection 41(a) of the patent laws. The Secretary would have authority to eliminate or change the amounts of any of the present fees and establish others, so long as a fee charged directly

relates to the actual processing of patent applications and the aggregate fees for an application effect the specified 25 percent recovery rate.

Subsection 41(b) would treat design patent processing fees differently than fees for other types of patents. Since the costs to the Office of processing design patent applications are significantly lower and maintenance fees will not be imposed, design patent applicants would be charged fees equal in aggregate to 50 percent of the estimated cost of processing such an application.

Subsection 41(c) requires the payment of maintenance fees three times in a patent's life—six months prior to the fourth, eighth and twelfth anniversaries of the patent's seventeen-year term. As required by the Paris Convention for the Protection of Industrial Property, subsection 41(c) permits late payment during a six-month grace period. Failure to pay an applicable maintenance fee by the end of the grace period would result in expiration of the patent on the date the grace period ends.

Subsection 41(c) also requires the Secretary to establish maintenance fees at levels that recover 30 percent of the costs to the Office for the year in which such maintenance fees are received of processing all applications for patents other than design patents, from filing through disposition by issuance or abandonment, by the fifteenth year following enactment of the Act.

Subsection 41(d) requires the Secretary to establish fees for all other patent-related services and materials at levels which will recover the full costs to the Office of performing those services or providing those materials. Fees would be adjusted as costs vary. Subsection 41(d), however, would maintain the existing subsection 41(a)(9) fee of $50 for providing a depository library with uncertified printed copies of the specifications and drawings for all patents issued in a year.

Subsection 41(e) allows the Commissioner to waive any fee for a service or product provided to a government agency. This authority now is provided in existing subsection 41(c).

Subsection 41(f) limits the adjustment of patent application processing fees and maintenance fees to once every three years.

Subsection 41(g) imposes a notice requirement on effective date of new or adjusted fees.

CREDITING OF FEE REVENUE TO THE PTO APPROPRIATION ACCOUNT

Section 3 of this bill would amend section 41 of title 35, United States Code, by completely rewriting it.

Section 42. Patent and Trademark Office funding

Subsection 42(a) makes all fees for Patent and Trademark Office services and materials payable to the Commissioner of Patents and Trademarks. This provision is carried over from existing section 42.

Subsection 42(b) requires all fee revenues and all Patent and Trademark Office appropriations to be credited to the Patent and Trademark Office Appropriation Account in the Treasury of the United States. At present, Patent and Trademark Office fee revenues are deposited in the general fund of the Treasury and are unavailable for directly funding PTO activities.

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Subsection 42(c) makes fee revenues credited to the PTO Appropriation Account available to the Secretary of Commerce to carry out the activities of the Patent and Trademark Office. Budgetary control is maintained since the PTO would continue to receive appropriations and the use of fee revenues would be limited "to the extent provided for in an appropriations Acts."

Subsection 42(d) authorizes the Secretary to refund any fee paid by mistake or any account paid in excess of that required. This authority is found in existing section 42.

TECHNICAL AMENDMENT

Section 4 of the bill is a technical amendment to section 154 of the patent laws necessitated by creation of the maintenance fee system.

TRADEMARK FEES

Section 5 of the bill amends existing section 31 of the Trademark Act of 1946 as amended (15 U.S.C. 1113) to modernize the trademark fee system. The present statutory fees specified in this section would be replaced by fees established by the Secretary.

Section 31. Fees

Subsection 31(a) permits the Secretary to eliminate or vary some present fees and to establish others. Fees for trademark examination and processing, as well as for products and services provided in connection with trademarks, would be required to recover 50 percent of all costs of these products and services. Fees could be changed only once every three years.

Subsection (b) permits the Commissioner to waive the payment of any fee in connection with an occasional request from another government agency, and provides that no fee shall be charged to the Indian Arts and Crafts Board to register government trademarks of genuineness and quality for Indian products or for products of particular Indian tribes and groups.

GOVERNMENT PATENT POLICY

Section 6 of the bill amends title 35 of the United States Code by adding after chapter 37 a new chapter 38, entitled the Government Patent Policy Act of 1980, to establish a uniform federal system for the commercialization and allocation of rights in inventions resulting from federally sponsored or supported research and development. Chapter 38 is divided into four subchapters which together add thirty-one new sections to title 35.

Section 381. Title

Section 381 provides for the chapter to be known as the Government Patent Policy Act of 1980.

Subchapter I—Contract Inventions

Section 382. "Contract inventions"; reporting

Section 382 defines "contract inventions" and sets forth a contractor's responsibility with regard to a contract invention.

Subsection (a) defines "contract inventions" as "inventions made in the course of or under Federal contracts."

Subsection (b) requires that all contractors provide the responsible Federal agency with timely reports on each contract invention containing sufficient technical information to inform the Government as to the nature of the invention and a list of each country, if any, in which the contractor elects to file a patent application.

The Government is prohibited from publishing or releasing these reports until the earlier of one year from receipt of the invention disclosure or the contractor has had a reasonable time to file a patent application; the Government also must withhold such information from other records or reports. The temporary prohibition on publishing or releasing contractor reports or information is necessary in order to avoid the possible forfeiture of patent protection in some countries. Subsection (c) provides that the responsible agency may deprive a contractor who unreasonably fails to file the reports required by subsection (b) of any or all of the rights it otherwise would have under subchapter I pertaining to the contract invention for which such report has been unreasonably withheld.

Section 383. Allocation of rights—Small businesses and nonprofit organizations

Subsection (a) provides for the acquisition of title to contract inventions by contractors which are either a small business or a nonprofit organization. They would acquire title in each country listed under section (b)(2) of section 382 in which they filed a patent application within a reasonable time; their title would be subject to the Government's minimum rights under section 386 and to march-in rights under section 387.

Subsection (b) provides for acquisition of title to contract inventions by the Government in each country in which a small business or nonprofit organization elects not to file a patent application or fails to file within a reasonable time.

Section 384. Allocation of rights—Other contractors

Subsection (a) provides that a contractor that is not a small business or nonprofit organization will have four and one-half years from the filing of an invention report under section 382(b) to select one or more fields of use which it intends to commercialize or otherwise achieve public use under an exclusive license; an example of such is making the invention available to others for licensing on reasonable terms and conditions. During the four and one-half year period the contractor will have temporary title to the invention, subject to the Government's right under the Act.

Contractors are encouraged to file field of use lists from time to time, and not wait until the end of the 4½ year period. Each filing will be separately reviewed, and title to the patents in question will not pass to the Government until the filing of the final field of use list, or 4½ years, whichever is earlier.

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Commercialization or marketing of products or processes embodying an invention may initially be accomplished by a contractor prior to reporting his field of use selection to the Government, which is a prerequisite to obtaining an exclusive license under section 384(b) and (c), if the contractor elects to initially commercialize or market such products or processes pursuant to the non-exclusive license provisions of section 385. Upon the contractor thereafter filing the field of use list or lists for such processes or products, such non-exclusive license shall become an exclusive license for the selected fields of use upon the expiration of the 90-day period provided in subsection (c) unless the Government notifies the contractor within such 90-day period of a contrary determination made under subsection (d).

Subsection (b) provides for the contractor to receive an exclusive license in each described field of use if it fields a United states patent application within a reasonable time. The contractor's license is subject to the Government's minumum rights under section 386 and march-in rights under section 387.

Subsection (c) profides that the contractor will automatically acquire an exclusive license for each described field of use by operation of law ninety days after providing the responsible agency with the field of use report required by subsection (a) of section 384 unless the agency earlier notifies the contractor of a contrary determination under subsection (d) of this section with respect to such field of use. In that case, the contractor would acquire an exclusive license by operation of law in all other selected fields of use, if any. The Committee believes that expedition and predictability are two essential ingredients of achieving commercialization of Government funded inventions and therefore intends that the 90-day period be a maximum time not subject to extension even by consent of the Contractor. Also for this reason, it is the Committee's intent that there be a prsumption in favor of the contractor receiving such exclusive license, and the Committee intends that contractors shall receive such exclusive licenses except in the most extraordinary of circumstances.

Subsection (d) sets forth the basis for an agency determination that a contractor will not receive an exclusive license in a selected field of use.

> The contractor will not acquire an exclusive license in any field of use if the responsible agency determines that the contractor's possession of such license: (1) would impair national security; or (2) would create or maintain a situation inconsistent with the antitrust laws.

Subsection (b) is intended to be permissive and is not intended to result in the creation of special sections or the hiring of additional personnel for its administration. An agency is not required to undertake any determination, perhaps preferring except in extraordinary cases, to await actual experience under the exclusive license to see whether circumstances then justify exercise of a march-in right reserved by section 387. Further, to reduce administrative burdens and to increase the security of the contractor in its knowledge that it will receive exclusive rights in the invention, the scope of the agency's inquiry underlying this determination is limited. The agency's review should focus on those unforseen antitrust and

national security circumstances of which it has become aware since the time of contracting that might now require it to deny the contractor an exclusive license in a particular field of use. The contractor should not be denied an exclusive license solely on the basis of facts that were known or reasonably foreseeable by the agency at the time of contracting, the agency normally will deviate from the standard patent rights clause so that the contractor will know at that time that it will not receive an exclusive license to practice a forthcoming invention in a particular field of use.

The antitrust provision of subsection (d)(2) and similar provisions throughout the bill are intended to encompass existing judicial interpretations of activities prohibited by the antitrust laws. This provision does not authorize each agency to create its own body of antitrust law or policy.; but in applying this provision each agency has the authority, subject to court review, to determine whether questionable conduct does or does not violate existing antitrust laws as judicially interpreted.

Subsection (e) provides that, whenever an agency determines that a contractor will not receive an exclusive license in any field of use, it must include in its determination written reasons, and that the contractor has the right of appeal de novo to the United States Court of Customs and Patent Appeals within sixty days after the determination is issued. the Court of Customs and Patent Appeals is given exclusive jurisdiction to affirm, reverse, or modify the agency determination. The burden of proof rests with the agency. Specifically included is the authority for the court to order the responsible agency to issue an exclusive license to the contractor.

Subsection (f) permits the contractor to obtain title to any contract invention in any foreign country in which the contractor agrees to file a patent application, unless the responsible agency determines that the national interest would be affected adversely, which should not occur except in extraordinary circumstances. However, title will be subject to the Government minimum rights under section 386 and march-in rights under section 387. If the contractor does not file a patent application within a reasonable time, then the Government may acquire title to patents on the contract invention.

Section 385. Contractor license

Subsection 385 automatically grants a nonexclusive, royalty free license to each contractor complying with subsection (b) of section 382 to practice the contract invention in all countries in which it neither receives title under subsection (a) of section 383 nor has an exclusive license under subsection (b) of section 384. This nonexclusive contractor license may be revoked by the Government only to the extent necessary to grant an exclusive license under subchapter III. It is expected that, so long as the contractor is pursuing commercialization of the invention under its nonexclusive license, there would be no occasion to grant an exclusive license, and, therefore, no need to revoke the contractor's non-exclusive license. It is also expected that the contractor's license to practice the invention shall include the right to grant sublicenses of the same scope, and on reasonable terms and conditions, to subsidiaries and affiliates within the corporate structure of the contractor's or-

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ganization and to existing licensees who the contractor is obligated to license or to assure freedom from infringement liability.

Section 386. Minimum Government rights

Subsection (a) sets forth the minimum rights the Government has in every contract invention, unless waived under the authority of section 388. These minimum righs included:

(1) "The right to require from the contractor written reports on the use of the invention if patented;

(2) A royalty-free worldwide license to practice the invention or have it practiced for the Government; and

(3) The right to license or sublicense state and local governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest."

Subsection (b) requires that whenever the Government has rights in a contract invention, notice to that effect shall be included in each United States patent application and patent on the invention.

Sec. 387. March-in rights.

Section 387 sets forth the basis on which the responsible agency may terminate the contractor's title or exclusive rights with respect to one or more fields of use in any patent on a contract invention; may require the contractor to grant appropriate license or sublicense to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself.

Subsection (a) sets forth the grounds for exercise of the Government's march-in rights:

(1) If the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the fields of use selected;

(2) If necessary to protect the national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) If continuation of the contractor's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

(5) If the contractor has failed to comply with the reporting requirements of this Act with respect to such invention.

The Government may march in only in a field of use which gives rise to one or more of the situations described in the above five paragraphs. The fact that a contractor's behavior does not give rise to such a situation with respect to some fields of use will not prevent the Government from marching in in another field of use.

This section is intended to continue existing practice and the Committee intends that agencies continue to use the march-in provisions in as a restrained and judicious manner as in the past.

Subsection (b) permits the responsible agency to exercise its march-in rights either on its own initiative or in response to a petition from an interested person justifying such action. Agency failure to initiate a march-in proceeding in response to a petition is not a determination appealable to the United States Court of Customs and Patent Appeals under section 407.

Subsection (c) enables an agency to specify reasonable licensing terms whenever, in exercise of its march-in rights, it requires a contractor to grant a license or sublicense.

Section 388. Deviation and waiver

Section 388 permits Federal agencies, to further an agency's mission and the public interest, to deviate from any standard patent rights clause issued under section 390 acquiring more or fewer rights to a contract invention.

Subsection (a) authorizes deviations either on a class basis in accordance with regulations to be issued under section 390, or, unless prohibited by those regulations, under regulations issued by an agency itself. Case-by-case deviations are permitted when authorized by the head of an agency or a designee, and described in the Federal Register. The Committee intends that agencies normally will not deviate and especially so in respect of contracts dealing with the development of defense related technology.

Subsection (b) forbids waiver under any circumstances of the national security and antitrust march-in rights reserved by sections 387(a)(2), 387(a)(4), and 387(c).

Subsection (c) forbids waiver of rights reserved by sections 384(a), and 387(a)(1), (1) in contracts involving co-sponsored, costsharing, or joint venture research to which the Contractor makes a substantial contribution of funds, technology, facilities, or equipment; or (2) in contracts with a contractor whose participation is necessary for the successful accomplishment of an agency mission and such contract cannot be obtained under the standard patent rights clause.

Section 389. Transfer of rights to contractor employees

Section 389 authorized a contractor's employee-inventor to receive some or all of the contractor's rights to a contract invention if the responsible agency and the contractor approve. The corresponding obligations of the contractor under subchapter I then become the obligations of the employee.

Section 390. Regulations and standard patent rights clause

Subsection 390(a) requires the Office of Federal Procurement Policy to direct the issuance of regulations implementing subchapter I, including the establishment of a standard patent rights clause or clauses.

Subsections (b), (c) and (d) require a sharing of the royalties and/or revenues with the Government to pay the Government for Federal funding of research and development. Regulations to be developed may permit waiver of some or all of this payment.

Subchapter II—Inventions of Federal Employees

Section 391. Employee inventions

Section 391 defines "employee inventions" as inventions made by Federal employees.

Section 392. Reporting of inventions

Section 392(a) requires that a Federal employee report to the employee's agency all inventions made while an employee of that

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agency. The Government is prohibited from publishing or releasing these reports until the earlier of one year after their receipt or the final disposition of rights under this subchapter.

Section 393. Criteria for the allocation of rights

Section 393 establishes the criteria for allocation of invention rights between the Government and its employee-inventor. Basically, the allocation depends upon the relationship of the invention to the employee's work and the use of Government resources.

Paragraph (1) provides for Government acquisition of all invention rights if the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of the employee's employment.

Paragraph (2) provides that, where the invention neither bears a direct relation to the employee's duties nor was made in consequence of the employee's employment, but was made with a contribution of Federal resources, the employee may receive all rights in the invention subject to a nonexclusive royalty-free worldwide license to the Government to practice the invention or have it practiced for the Government as well as to sublicense State, local, or foreign governments if acquisition of this right would serve the national interest.

Paragraph (3) permits the Government to waive to the employee its rights under paragraph (1) of this section , subject to the Government license described in paragraph (2) of this section.

Paragraph (4) requires the Government to acquire all rights in any invention if the national security might be impaired should the employee-inventor receive rights to it, notwithstanding the provisions of paragraphs (2) or (3) of this section.

Paragraph (5) entitles an employee-inventor to all rights in an invention made by the employee not covered by paragraphs (1), (2), or (3) of this section.

Paragraph (6) permits the Government to enter into agreements allocating rights in inventions resulting from research and development to which other parties have contributed substantially, notwithstanding paragraph (1) of this section.

Section 394. Presumptions

Section 304 establishes rebuttable presumptions for the application of the criteria set forth in section 393.

Subsection (a) sets out employee duties which establish a rebuttable presumption that an invention falls within the criteria of paragraph (1) of section 393. Thus, for example, if an employee is assigned to conduct research and development work, it is presumed that the Government will have the right to title in any invention made.

Subsection (b) establishes a rebuttable presumption that an invention made by an employee whose duties fall outside those listed in paragraph (a) of this section falls within the criteria of paragraph (2) of section 393, reserving to the employee title to an employee-invention subject to certain license rights in the Government.

Section 395. Review of agency determinations

Section 395 provides for the review of Federal agency determinations regarding the respective rights of the Government and a Federal employee-inventor in situations in which the agency determines not to acquire all rights in an invention or where an aggrieved employee-inventor requests review. The review is to be conducted according to regulations issued under section 399.

Section 396. Reassignment of rights

Section 396 establishes a right in the Government to adjust the rights acquired from a Federal employee-inventor on the basis of evidence that the granting of greater rights to the employee-inventor is necessary to correct an inequitable allocation of rights.

Section 397. Incentive awards program

Subsection (a) provides Federal agencies the right to establish an incentive awards program which is intended to monetarily recognize Federal employee-inventors, stimulate innovative creativeness, and encourage disclosures of inventions which in turn will enhance the possibility of utilization through the Federal licensing program established under subchapter III.

Subsection (b) sets forth the criteria for making an award.

Subsection (c), (d), and (e) establish the procedures for making awards of different amounts.

Subsection (f) provides that acceptance of a cash reward constitutes an agreement by the employee-inventor that any use by the Government of an invention for which an award is made does not form the basis of a further claim of any nature against the Government by the recipient, his heirs, or assigns.

Subsection (g) requires that an award should be paid from the fund or appropriation of the agency primarily benefitting.

Section 398. Income sharing from patent licenses

Section 398 authorizes Federal agencies to share income from licensing the Government's patent rights with the employee-inventor.

Section 399. Regulations

Subsection (a) makes the Secretary of Commerce responsible for issuing regulations to implement subchapter II.

Subsection (b) provides that determination concerning a Federal employee's promotion of the employee's invention is subject to regulations to be prescribed by the Secretary of Commerce with the concurrence of the Office of Government Ethics and the Attorney General. The intention is to ensure that a Federal employee will not be prohibited from promoting his own invention if consistent with conflict of interests regulations.

Subchapter III—Licensing of Federally Owned Inventions

Section 400. Covered inventions

Section 400 provides that subchapter III applies to all federally-owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 387, upon

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or after exercise of the march-in provisions. However it does not apply to licenses established by the other sections of subchapter I.

Section 401. Exclusive or partially exclusive licenses

Section 401 sets out terms and conditions under which a Federal agency may grant an exclusive or partially exclusive license.

Subsection (a) provides that an exclusive or partially exclusive domestic license not automatically granted under section 384 may be granted only after public notice and opportunity for filing written objections and only if the responsible agency determines that such licensing is necessary to achieve practical application of the invention and that the scope of proposed exclusivity is not greater than reasonably necessary.

Subsection (b) provides that an exclusive or partially exclusive foreign license may be granted only after public notice and opportunity for filing written objections and after a determination whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

Subsection (c) prohibits the granting of a license under this section if the responsible agency determines that the grant would create or maintain a situation inconsistent with the antitrust laws.

Subsection (d) requires Federal agencies to maintain publicly available, periodically updated records of their determinations to grant exclusive or partially exclusive licenses.

Section 402. Minimum Government rights

Section 402 sets forth the minimum rights the Government is to have in every exclusive or partially exclusive license. These minimum rights include:

(1) "The right to require from the licensee written reports on the use of the invention;

(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government; and

(3) The right to license State and local, to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest."

Section 403. March-in rights

Section 403 sets forth the basis on which the responsible agency may terminate an exclusive or partially exclusive license.

Subsection (a) sets forth the grounds for such termination.

(1) "If the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in the fields of use affected;

(2) If necessary to protect national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) Continuation of licensee's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

(5) If the licensee has failed to comply with the terms of the license."

Subsection (b) permits the responsible agency to exercise its march-in rights either on its own initiative or in response to a petition from an interested person.

Section 404. Regulations

Section 404 makes the Office of Federal Procurement Policy responsible for directing the issuance of regulations specifying the terms and conditions upon which federally-owned patent rights may be licensed. Agencies are permitted to deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

Subchapter IV—Miscellaneous

Section 405. Patent enforcement suits and right of intervention

Subsection 405(a) provides for enforcement of an exclusive license under the chapter by an exclusive licensee without the necessity of joining the United States or any other exclusive licensee as a party. The intention is to make the exclusive license the functional equivalent of title within the specified fields of use. However, the Attorney General and the agency that granted the license must be given prompt notice of the suit and served copies of papers as though they were parties to the suit.

Subsection (b) requires the responsible agency to notify all of its exclusive licensees of any suit by an exclusive licensee, the Government, or another person. One intention of section 405 is to provide for the adjudication of the infringement and validity of a Government-owned patent subject to this Act without the necessity of the United States appearing before the court as a party.

Section 406. Background rights

"Background rights" refer to patent rights on non-contract inventions, those inventions which did not result from federally funded research but which may relate to the work object of a funding agreement. The committee does not contemplate that funding agreements may require the contractor to license such invention (not developed with Federal funds) to third parties. Moreover retention of background rights by Federal agencies is not considered by your committee to be consistent with the intent of this bill.

The problem of "background rights" has seriously disadvantaged certain businesses, primarily small businesses, which bid on government research and development contracts. Background rights refer to patent rights on non-contract inventions, those inventions which did not result from federally funded research, but which may relate to the work object of a funding agreement. Background rights constitute valuable property to many businesses, particularly to small firms; however, some agencies have routinely and unnecessarily required that contractors sign away their exclusive rights to background inventions as a cost of doing business with the Government. The retention of background rights by Federal agencies must be curbed unless such use is clearly justified by a national need.

Section 407. Notice, hearing, and judicial review

Subsection (a) requires that agency determinations under sections 382, 387(a) and 387(c), and 403, must have written reasons and be preceded by public notice and an opportunity for a hearing in

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which the United States, any agency, and any interested person may participate.

Subsection (b) permits the United States or an adversely affected participant to appeal a subsection (a) determination to the United States Court of Customs and Patent Appeals within sixty days after it is issued. The Court of Customs and Patent Appeals is given exclusive jurisdiction to determine the matter de novo, affirming, reversing, or modifying the agency determination. The burden of proof shall rest with the agency.

Section 408. Relationship to other laws

Section 408 is intended to remove any implication that the act provides immunity from the antitrust laws.

Section 409. Authority of Federal agencies

Subsections (a), (b), (c), (d), (e), and (f) set forth the authority of Federal agencies to protect patent rights at home and abroad in—"any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest"—to license federally-owned patent rights; to transfer patent rights to and accept transfers of patent rights from other agencies without regard to the property transfer procedures required by the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471); to withhold publication or release of information disclosing any invention long enough for patent applications to be filed; to promote the licensing of federally-owned patent rights; and to enter into contracts to accomplish the purpose of this section.

Section 410. Responsibilities of the Secretary of Commerce

Section 410 provides the authorities necessary for the Department of Commerce effectively to assist other Federal agencies administer the licensing of federally-owned inventions. Paragraph (a)(2) authorizes the Secretary of Commerce to coordinate a program to help agencies carry out their authorities under section 409.

Paragraph (a)(6) authorizes the Secretary to publish notices of all federally-owned patent rights available for licensing.

Paragraph (a)(3) authorizes the Secretary to evaluate inventions referred to it by Federal agencies in order to identify those inventions with the greatest commercial potential.

Paragraph (a)(5) authorizes the Secretary to develop and manage a government-wide program, with private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through the dissemination of information about the technology.

Paragraph (a)(4) authorizes the Secretary to assist the Federal agencies in seeking and maintaining patent protection in any country, including the payment of fees and costs.

Paragraph (a)(1) authorizes the Secretary to consult with the Federal agencies about areas of science and technology with commercial potential.

Paragraph (a)(7) requires the Secretary, seven years after the date of enactment of the Act, to report on its operative effect to the Congress.

Subsection (b) authorizes the appropriation to the Secretary of Commerce of such sums as thereafter may be necessary to enable the Secretary to carry out responsibilities under this section.

Section 411. Definitions

Section 411 sets out the definitions, for purposes of the Act for the terms "Agency," "Responsible agency," "antitrust laws," "contract," "contractor," "Federal employee," " invention," "made," "nonprofit organization," "patent rights," "practical application," "small business," "state," "local," and "will."

CONFORMING PATENT POLICY AMENDMENTS

Section 7 amends or repeals parts of other acts as necessary to implement the provisions of new chapter 38 of title 35, United States Code. Acts amended or repealed in part are:

Title 7, U.S.C. 427(i).
Title 7, U.S.C. 1624(a).
The Federal Coal Mine Health and Safety act of 1969.
The National Traffic and Motor Vehicle Safety Act of 1966.
The National Science Foundation Act of 1950.
The Atomic Energy Act of 1954.
The National Aeronautics and Space Act of 1958.
The Coal Research and Development Act of 1960.
The Helium Act Amendments of 1960.
The Arms Control and Disarmament Act of 1961.
The Appalachian Regional Development Act of 1965.
The Federal Nonnuclear Energy Research and Development Act of 1974.
The Tennessee Valley Authority Act of 1933.
The Consumer Product Safety Act.
Title 30, U.S.C. 323.
The Resources Conservation and Recovery Act of 1976.
The Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976.
Public Law 95-39.
The Water Research and Development Act of 1978.

TRANSITIONAL PROVISIONS

Section 8. Effective date

Section 8 provides for the taking effect of the bill's various provisions.

Section 8(a) specified and that the fee setting authority provisions of the bill and the conforming technical amendment take effect upon enactment. Nevertheless, these fees need not be set to recover the levels specified in the bill (25 percent recovery for patent processing and full recovery for providing materials and services in patent and trademark cases) until the first day of the first fiscal year beginning one calendar year after enactment. This will provide at least a year to determine the amounts and natures of fees needed.

Subsection 8(b) provides that the reexamination provisions of this bill take effect six months after enactment and apply to patents then in force or issued thereafter.

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Subsection 8(c) provides that the authority to credit fee revenues to the Office's Appropriation Account take effect as of the first day of the first fiscal year beginning one calendar year after enactment. Thus, at least one year would be available to obtain needed administrative approval and implement an appropriate accounting system. However, until section 3 takes effect, the Secretary, in order to pay reexamination costs, may credit the Patent and Trademark Office Appropriation Account with the revenues from collected reexamination fees.

Subsection 8(d) continues existing fees until new fees are established.

Subsection 8(e) provides that maintenance fees shall not be applicable to patents applied for prior to the day of enactment of this Act.

Subsection 8(f) provides that sections 6 and 7 of this bill which establish a uniform patent policy and make necessary conforming amendments to existing laws take effect six months after enactment.

STUDY OF THE PATENT, TRADEMARK, AND COPYRIGHT SYSTEMS

Section (a) provides that, on or before July 1, 1981, the Comptroller General will report to the Congress and the President with respect to the Patent and Trademark Office, the Copyright Office, and the Copyright Royalty Tribunal with a view toward the desirability of of merging them.

COMPUTERIZATION OF THE PATENT SEARCH FILE

Subsection 10(a) requires the Commissioner of Patents and Trademarks to report to the Congress, within six months of the effective date of the Act, on computerized data and retrieval state of the art systems for all aspects of operations of the Office.

Subsection (b) requires the Commissioner to submit additional reports to the Congress every six months until such a plan is fully implemented.

CREATION OF AN INDEPENDENT PATENT OFFICE

Section 11 creates the Patent and Trademark Office as an independent agency, separate from the Department of Commerce, of which it is now a part.

COPYRIGHTABILITY OF COMPUTER PROGRAMS

Section 12 embodies the recommendations of the Commission on new Technological Uses of Copyrighted Works with respect to clarifying the law of copyright of computer software.

During the course of Committee consideration the question was raised as to whether the bill would restrict remedies for protection of computer software under state law, especially unfair competition and trade secret laws. The Committee consulted the Copyright Office for its opinion as to whether section 301 of the 1976 Copyright Act in any way pre-empted these and other forms of state law protection for computer software. On the basis of this advice and

advice of its own counsel the Committee concluded that state remedies for protection of computer software are not limited by this bill.

OVERSIGHT STATEMENT

Oversight of the Patent and Trademark Office is the responsibility of the Committee on the Judiciary. During the First Session of the 96th Congress the subcommittee on Courts, Civil Liberties and the Administration of Justice held hearings entitled, "General Oversight on the Patent, Trademark and Copyright Systems." They have been published as serial No. 15, Ninety-sixth Congress. The Committee and its subcommittee intend to continue this oversight into the next Congress.

No oversight statement has been received from the Committee on Government Operations regarding H.R. 6933.

NEW BUDGET AUTHORITY

In regard to clause 2(1)(3)(B) of rule XI of the House of Representatives, H.R. 6933 creates no new budget authority.

STATEMENT OF THE BUDGET COMMITTEE

No statement on H.R. 6933 has been received from the Committee on the Budget.

ESTIMATED COST OF THE LEGISLATION

It is estimated that there will be no additional costs to the United States due to the provisions of H.R. 6933. As the statement of the Congressional Budget Office indicates, there will be a substantial savings to the United States as a result of the legislation.

STATEMENT OF THE CONGRESSIONAL BUDGET OFFICE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., August 28, 1980.

Hon. PETER W. RODINO, Jr.,
Chairman, Committee on the Judiciary,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 6933, a bill to amend the patent and trademark laws.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

JAMES BLUM
(For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE, AUGUST 28, 1980

1. Bill number: H.R. 6933.
2. Bill title: A bill to amend the patent and trademark laws.

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3. Bill status: As ordered reported by the House Committee on the Judiciary on August 20, 1980.

4. Bill purpose: The bill would establish the Patent and Trademark Office (PTO) as an independent agency, removing it from the Department of Commerce (DOC). It would provide for a system of administrative reexaminations, establish a new fee structure, and create a uniform government policy regarding patent rights. H.R. 6933 would require the General Accounting Office (GAO) to report on the desirability of merging the PTO with the Copyright Office and the Copyright Royalty Tribunal. The PTO would also be required to report every six months on the progress being made towards implementation of a computerized data and retrieval system. Finally, H.R. 6933 repeals section 117 of the 1976 Copyright Act to clarify copyright laws regarding computer programs.

5. Cost estimate: The table below reflects the budget impact resulting from a change proposed by H.R. 6933 in the classification of the fees received by the PTO.

[By fiscal years, in millions of dollars]

	1981	1982	1983	1984	1985
Revenue reduction	1.8	23.2	23.8	24.3	24.8
Net spending reduction:					
Estimated authorization level	1.5	23.7	24.7	25.6	31.6
Estimated outlays	2.0	24.6	24.7	25.6	31.6
Net budget impact [1]	−0.2	−1.4	−0.9	−1.3	−6.8

[1] Negative sign indicates increased surplus or decreased deficit.

The costs of this bill fall primarily within budget subfunction 376.

6. Basis of estimate: For purposes of this estimate, it is assumed that this bill will be enacted around October 1, 1980.

Reexamination of patents

H.R. 6933 would allow any party to petition the PTO to reexamine a patent for validity. The cost of reexamination would be paid by the party based on a fee structure established by the Commissioner of Patents. It is anticipated that the number of patent applications for reexaminations will be limited by the cost involved and the potential for commercial development. Based on rates currently available in foreign countries for similar procedures, as well as estimates provided by the PTO, it is estimated that the number of appeals will be approximately 500 in fiscal year 1981, increasing to 2,000 by 1982, and remain in relatively stable thereafter.

Although the bill does not specifically authorize funding for this purpose, it is assumed that additional staff will be required to handle the reexamination procedures. Based on PTO data, it is estimated that the average cost per employee, including overhead and benefits, would be approximately $40,000 in fiscal year 1981. Assuming approximately 30 hours per reexamination, plus clerical support, it is estimated that approximately 55 appeals could be reviewed annually by a professional staff member. It is estimated that the cost of this procedure would be approximately $0.4 million in fiscal year 1981, which reflects six months' activity. Costs are es-

timated to be $1.4 million in fiscal year 1982, increasing to $2.5 million by fiscal year 1985. It is assumed, however, that the full amount required by the PTO for salaries and expenses would be recovered by fees set at the beginning of the fiscal year and adjusted annually for inflation and anticipated workload. It is assumed that fees would be included with the request for reexamination and reflected as a reimbursable to the agency, resulting in a net outlay of around zero in each fiscal year.

Revision of fee structure

H.R. 6933 would restructure the current fee structure for patents and trademarks. Currently, the PTO recovers approximately 20 percent of the cost of processing patents and approximately 30 percent of the cost of issuing trademarks. These fees are deposited in the general fund of the Treasury.

The bill would allow the PTO to recover up to 25 percent of the average processing costs and 25 percent of the maintenance costs for patents, the latter fee collected in four installments over the life of the patent. In addition, the PTO would be allowed to recover a maximum of 50 percent of the cost of issuing trademarks. All fees for patents and trademarks could be adjusted no more than once every three years and would be credited to the PTO as a reimbursable to the agency, rather than as a revenue to the Treasury.

It is assumed that the revised fee structure for trademarks would be implemented early in the second quarter of fiscal year 1981, and for patents beginning in fiscal year 1982. It is assumed that the agency costs for processing patents and trademarks from which recovery could be made would be approximately $84 million in fiscal year 1982, increasing to approximately $109 million by fiscal year 1985. It is assumed that an average recovery rate of 25 and 50 percent, adjusted every third year, would be established for processing fees for patents and for trademarks, respectively. Patent maintenance fees would be collected three times in a patent's life—around the fourth, eighth, and twelfth year. Since the first payment would not be made until fiscal year 1986, it is not reflected in the table below.

[By fiscal years, in millions of dollars]

	1981	1982	1983	1984	1985
Existing fee structure—Estimated revenues:					
Patents	20.3	20.8	21.3	21.8	22.2
Trademarks	2.4	2.4	2.5	2.5	2.6
Total	22.7	23.2	23.8	24.3	24.8
Proposed fee structure in H.R. 6933—Estimated collections:					
Patents [1]	[2] 20.3	21.2	21.2	21.2	27.2
Trademarks	3.6	3.6	3.6	4.6	4.6
Total	23.6	24.8	24.8	25.8	31.8
Net budget impact	−0.9	−1.6	−1.0	−1.5	−7.0

[1] Maintenance fees would be collected beginning in fiscal year 1986, and by fiscal year 1994 would result in revenues approximately twice those estimated for processing.
[2] The current fee structure for patents remains in effect throught fiscal year 1981.

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Government patent policy

H.R. 6933 would establish a uniform federal system for the commercialization and allocation of rights in inventions resulting from federally sponsored or supported research and development. The bill would allow contractors from small businesses and non-profit institutions to acquire title to inventions resulting from government funded research. Other contractors could receive exclusive licenses for specific uses. The bill directs the Office of Federal Procurement Policy (OFPP) to issue regulations to implement these policy changes. According to the OFPP, the cost of revising existing regulations would be minimal. It is estimated implementation of these changes in the various federal agencies, including training, would cost approximately $650,000 in fiscal year 1981. Outlays are estimated to be 90 percent the first year and 10 percent the second year.

H.R. 6933 would revise the criteria for allocation of invention rights between the federal government and employees who produce inventions. To stimulate innovation, the bill would establish an incentive cash awards program to federal employee-inventors. The award are to be paid from funds from royalities or agency appropriations; consequently, it is estimated that this provision would result in no additional cost to the government.

The bill also authorizes federal agencies to share income from licensing the government's patent rights with the employee-inventor. It is not possible at this time to estimate the extent to which royalties will be generated or shared with employee-inventors.

Establish an indepenant PTO

H.R. 6933 would create an independent PTO, which is currently an agency within DOC. Based on data provided by the PTO, it is estimated that the net additional cost of this reorganization would be approximately $130,000 in fiscal year 1981. Adjusted for inflation, it is estimated that the cost would increase to approximately $190,000 by fiscal year 1985.

GAO Study

The GAO estimates that the cost of analyzing the feasibility of merging the PTO with the Copyright Office and the Copyright Royalty Tribunal would be approximately $250,000 in fiscal year 1981.

Other

The bill would repeal section 117 of the 1976 Copyright Act, which disclaims any intent to modify the pre-existing copyright law for computer programs. This has the effect of clearly applying the 1976 law to computer programs, which is not expected to have a cost impact upon the federal government.

In addition, H.R. 6933 outlines the responsibilities of the Secretary of Commerce to assist agencies and others in promoting access to patent information. Currently these activities are being performed by the National Technical Information Service (NTIS), created in 1970. The President is requesting approximately $740,000 for these activities in fiscal year 1981, which is about the same level of funding in the current fiscal year. The bill would authorize the appropriation of such sums as may be necessary for these activities. Since current law authorizes these activities it is estimated

that no additional costs would be incurred as a result of enactment of this legislation.

Finally the PTO would be required to report regularly on the status of a computerized data retrieval system. Since the PTO is already planning to study and evaluate the feasibility of such a system, it is assumed that any significant costs incurred as a result of analyzing or implementing such a system would not be a direct result of the legislation. Consequently, no cost has been estimated for this provision.

7. Estimate Comparison: The Commissioner of Patents has estimated that approximately 1,000 to 3,000 requests for reexaminations would be made annually, requiring from 25 to 100 additional staff members, at a cost of between $1 million and $4.5 million annually. CBO estimates approximately 500 applications will be processed beginning in fiscal year 1981 because a later date of enactment is assumed.

8. Previous CBO estimate: On February 27, 1980, the Congressional Budget Office prepared a cost estimate for S. 1679, the Patent Law Amendments of 1979, as ordered reported by the Senate Committee on the Judiciary on February 19, 1980. The costs of S. 1679 and the costs attributed to reexamination in this bill are the same, with adjustments assumed for date of enactment.

On December 4, 1979, CBO prepared a cost estimate on S. 414, the University and Small Business Patent Procedures Act, as ordered reported by the Senate Committee on the Judiciary on November 20, 1979. The CBO estimated that no significant cost would be incurred by the government if a uniform patent procedure for small businesses and nonprofit organizations performing government-supported research and development were established.

9. Estimate prepared by: Mary Maginniss.

10. Estimate approved by: C. G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis.)

INFLATIONARY IMPACT STATEMENT

H.R. 6933 will have no forseeable inflationary impact on prices or costs in the operation of the national economy.

COMMITTEE VOTE

H.R. 6933 was approved by the Committee on the Judiciary on August 20, 1980, by a voice vote.

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DISSENTING VIEWS OF HONORABLE JACK BROOKS

The major problem I have with H.R. 6933 is that it violates a basic provision of the unwritten contract between the citizens of this country and their government; namely, that what the government acquires through the expenditure of its citizens' taxes, the government owns. Assigning automatic patent rights and exclusive licenses to companies or organizations for inventions developed at government expense is a pure giveaway of rights that properly belong to the people.

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The argument is made by proponents of the bill that it will spur productivity, a goal that is both necessary and desirable if the United States is to regain its position in the world economy. But that argument ignores the fact that the Federal Government is already paying half the costs of research and development in the United States at an annual cost of $30 billion. No companies or nonprofit organizations that I know of have been turning down that money because they are not now receiving automatic patent and exclusive licensing rights. So unless it is the intent of the supporters of H.R. 6933 that the government greatly increase this already enormous public investment in research and development, I fail to see how enactment of the bill will lead to increased production.

It is also argued that this legislation will increase competition in industry and thereby spur production. But again the connection is hard to establish. Under current practice, inventions, new products and technological advances developed under government contracts—unless awarded to a specific contractor under existing permissible arrangements—are available to all. That approach would seem to offer far greater potential for increased competition and productivity than handing over exclusive rights to one company. In the latter case the company might even choose to reduce production with the aim of increasing its profits.

I do not overlook or underestimate the importance of patents in developing and maintaining a thriving economy. My concern is simply the role of the government and the rights of the people in the patent process. When a private company risks its own money to develop new products and procedures it deserves and receives the profits that may result. There should not be a different standard applied when it is the government that risks the taxpayers' money. The rewards of successful research and development conducted at government expense should go to all the people.

Another provision of this bill that I strongly oppose is the removal of the Patent Office from the Department of Commerce and its establishment as an independent office. I have seen no evidence

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that this organizational realignment will result in any increase in efficiency in the operations of the Patent Office or in any increase in productivity in U.S. industrial output. On the other hand, there is every reason to believe it will result in increased expenditures and further fragmentation of government management. Also, its inclusion in this bill raises a serious jurisdictional problem as government reorganizations are matters within the jurisdiction of the Committee on Government Operations.

COMPETITION VS. MONOPOLY

Proponents of this legislation allege that assigning title or automatic exclusive licensing rights to government contractors and grantees will result in greater productivity. In fact, the opposite result may occur. By granting an exclusive license to the developer of a government-funded patent, the number of potential producers and marketers may be substantially restricted. Open competition has long been the basic element of our economic system. Providing

patent rights inherently grants a type of monopoly privilege. Such privileges can be justified when a private individual or entity has risked considerable sums on the research and development of the product, costs which the developer should be able to recapture upon commercialization. A quite different situation exists, however, when the financial risk has been borne by the taxpayer. In that case, the justification for the granting of anti-competitive patent rights does not exist.

UNIFORMITY OF PATENT POLICIES:

Currently, there are about 26 agencies with regulations governing patent rights on government-funded inventions. The proponents of this legislation argue that uniformity in patent policy is badly needed. I would agree that uniformity is, in all probability, desirable, but not at the cost of giving away title and exclusive licenses in public property.

Furthermore, this bill does not achieve uniformity in patent policy. This bill will establish three different policies for handling government-funded patents. The applicable policy will not be determined by the nature of the patent or the public good, but rather by the nature and size of the contractor or grantee. One policy assigns automatic title to the contract invention where the contractor is a small business or nonprofit organization; another policy assigns automatic exclusive licenses to other contractors; and a third policy provides criteria for granting exclusive or partially exclusive licenses in all other cases. Where is the uniformity this legislation was supposed to provide?

POTENTIAL DECREASE IN PRIVATE RESEARCH FUNDS

The Federal government presently pays for well-over half the cost of research and development in the U.S. to the tune of $30 billion a year. Under this legislation, the percentage of government-funded research may become even greater. It would make no sense for a company to spend its own money on the research and development of new products and technology when the government will carry the costs and bear the risk for them. It is an entrepreneur's

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dream. If he is successful, the government gives him highly profitable monopoly rights over the product; and, if he fails, well, he hasn't lost anything. There is simply not sufficient evidence to support the creation of another welfare fund for private business which can only serve as a disincentive for private investment.

EMPHASIS ON PROFIT RATHER THAN PUBLIC PURPOSE

The policies and objectives of government funding of research and development should be determined on the basis of what is in the best interest of the public. They should not be legislated to parallel the policies and practices followed by commercial establishments. To do this would change the direction of Federal research and development from a process of intellectual and technological innovation for the general welfare of the people to one which emphasizes the profit incentive underlying commercialization in the

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marketplace. When a grant or contract determination for research and development includes an automatic concession of exclusive rights to commercialize any resulting invention, technological innovation will be of concern to the contractor only to the extent it contributes to the production of a profitable product.

REIMBURSEMENT PROVISIONS INSUFFICIENT

While there are provisions in the bill for recovery of government-funded research and development costs in certain instances, the exceptions for reimbursement have a tendency to render the provisions meaningless. Section 390(c)(2) permits exemptions from reimbursement where the Federal government's contribution to the technology as licensed or utilized is insubstantial compared with private investment made or to be made. The private investment "to be made" is highly speculative at best. Any good accountant should be able to show that the government's investment is minimal compared to what the marketer "expects" to spend.

Section 390(c)(4) permits waiver of reimbursement where the government funding of the technology with the contractor is less than $1 million, a clearly arbitrary exclusion.

Section 390(c)(5) permits foregoing payment when it would place the contractor at a competitive disadvantage or would stifle commercial utilization of the technology. How repayment of research and development costs would place a contractor at a competitive disadvantage is not quite clear where an exclusive license precludes competition.

Subsection 6 permits exemption from payment when "it is otherwise in the best interest of the government and the general public." It is hard to imagine a taxpayer who, having funded the cost and borne the risk of the research and development of a product, would conclude that it is in his best interests not to be reimbursed from the proceeds accruing to the contractor.

INDEPENDENT PATENT OFFICE

The bill as amended will take the Patent Office out of the Department of Commerce, where it has been for many years. This action will require more funds and will not provide the benefits claimed.

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It has been said that an independent Patent Office would have only a small additional cost. This is illusory. Setting up an independent office with its own administrative hierarchy, which must make available the facilities and services that are now being provided by the Department of Commerce, will be a very costly operation. I speak from some experience because the Committee on Government Operations has been called upon to create numerous independent agencies and offices over the years. Many of these have been established for good purposes, but with hardly an exception they required substantial extra expenditures.

Taking the Patent Office out of Commerce will not necessarily enhance its efficiency or improve its services to the business community and the public. This shift may require a realignment of procedures which could as well be done within the Department of

Commerce. Inevitably, any reorganization requires a temporary slowdown in operations and procedures until the new organization has been put into effect and had its shakedown cruise. This could take months or even years and could have, at the very least, a temporary deleterious effect on Patent Office services.

I cannot see how the creation of an independent agency will necessarily add to the amount of funding available to the Patent Office or bring about an increase in the number of patent examiners. The doubts about the need for larger appropriations will exist whether or not the Patent Office is in Commerce or outside. The budget will still have to go through the Office of Management and Budget and be subject to the Administration's overall policy and will still have to run the gauntlet of the Appropriations Committees and of the Congress.

Basically, our objective is to increase productivity in the United States and make ourselves more competitive with the technological inventiveness and ingenuity of foreign nations. Certainly this is an urgent matter which needs serious attention and attack. But a removal of the Patent Office from the agency in which it is currently housed would only be cosmetic and in no way alleviate the root causes of the problem. Let us undertake the difficult steps that are needed but not fool ourselves and the American public by making changes that will have little or no effect.

CONCLUSION

I agree wholeheartedly with the establishment of a U.S. patent policy that encourages the development and production of new products, that will reward those who take risks, and that will inspire increased confidence in our economy. My comments above deal only with the very special issue of government-funded research and development activities.

The Federal government has the equivalent of a fiduciary responsibility to the taxpayers of this country. Property acquired with public funds should belong to the public. Deviations from that fundamental principle should be allowed only where a compelling justification can be shown and where the voice of the public can be heard in protest. This legislation stands that principle on its head by automatically conveying title or the exclusive right to use public property to private entities and placing the burden on the Federal government to demonstrate that a retrieval of those rights is in the public interest.

JACK BROOKS.

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HOUSE REPORT NO. 96-1307, PART 2

[page 1]

The Committee on Government Operations, to whom was referred the bill (H.R. 6933) entitled "To amend the patent and trademark laws," having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

* * * * * * * * * *

Jurisdiction Under Sequential Referral

H.R. 6933 was reported to the House by the Committee on the Judiciary on September 9, 1980. It was then sequentially referred to the Committee on Government Operations for consideration of provisions of the bill and amendment which fall within the jurisdiction of the committee. These provisions deal with Federal procurement generally and matters involving reorganizations in the executive branch. The

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committee's consideration was only for a period of two weeks and it was required to report no later than September 23. The time restraint under which the committee was forced to act limited the scope and depth of its study and adequate treatment could not be given to the extensive changes in patent policy proposed in this legislation. These changes and the purported justification for them deserve full consideration.

It was determined that Sections 1 through 5, dealing with certain procedures and fees, were not within the jurisdiction of the committee. The committee's jurisdiction does cover those sections dealing with Government policies for retaining or disposing of contract inventions developed during the course of or under Government contracts and related matters, and those sections dealing with the reorganization or transfer of individual units of Government.

Explanation of Amendments

The first amendment deletes from the bill Section 9, which requires the Comptroller General to submit to Congress and the President a report describing the functioning of the Patent and Trademark Office, the Copyright Office, and the Copyright Royalty Tribunal. The Patent and Trademark Office is located in the Department of Commerce, the Copyright Office is located in the Library of Congress, and the Copyright Royalty Tribunal is a separate unit in the legislative branch. The report would analyze the efficiency of these agencies and make recommendations on the desirability of merging the Copyright Office and the Copyright Royalty Tribunal with the Patent and Trademark Office.

The second amendment alters Section 10(a) of the bill, which requires the Commissioner of Patents and Trademarks to report to Congress within six months after enactment a plan to computerize the

data in the Trademark Office. The committee amendment would permit the Commissioner to have two years to make the report.

The third amendment would delete Section 10(b), which would require the Commissioner of Patents and Trademarks to report to Congress every six months on the progress being made in implementing computer technology in the Patent and Trademark Office.

The fourth amendment deletes Section 11 of the bill, which removes the Patent and Trademark Office from the Department of Commerce and sets it up as an independent agency.

Summary and Purpose

H.R. 6933, as reported by the Judiciary Committee, revises the patent and trademark laws to provide for various changes in procedure in the Patent and Trademark Office in the Department of Commerce; establishes a new uniform Government-wide patent policy regarding the retention or disposal of rights to contract inventions made by private businesses and non-profit organizations developed in the course of or under Federal contracts; by Federal employees in consequence of their employment or with Federal funds; and policy dealing with the licensing of Federally-owned inventions. The bill repeals a num-

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ber of congressional enactments relating to patents for individual programs or agencies. It also called for certain studies and reports and would remove the Patent and Trademark Office from the Department of Commerce and set it up as an independent agency.

The Committee on Government Operations does not agree with those provisions of the bill which would remove the Patent Office from Commerce; or require the Comptroller to make a study of the possibility of merging the Copyright Office, now in the Library of Congress with the Patent Office, and recommends that these provisions be deleted from the bill. It also disagrees with the provision to require the Commissioner of Patents to report within a period of six months on a plan to computerize data in the Patent Office. The committee recommends that a period of two years be given for such a report.

Committee Action and Vote

The Committee on Government Operations at a duly called meeting on September 23, ordered reported H.R. 6933 with amendments by a vote of 32 ayes and 0 noes.

Hearings

Hearings on H.R. 6933 were held by the Subcommittee on Legislation and National Security on September 16 and 17, 1980. Testimony was received from Philip M. Klutznick, the Secretary of Commerce; from Admiral H. G. Rickover, Deputy Commander for Nuclear Power, Naval Sea Systems; Daniel J. Boorstin, the Librarian of Congress; Karen H. Williams, Administrator for Federal Procurement Policy, Office of Management and Budget; and Ky P. Ewing, Deputy Assistant Attorney General, Antitrust Division, Department of Justice.

Differing views were presented by these witnesses, all of whom were high ranking and responsible officials of the Government. Their testimonies raised questions which merit careful study by the Congress.

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DISCUSSION

The Committee on Government Operations recognizes the necessity of making improvements in the operation of the Patent and Trademark Office. The issuing of patents is an important part of our efforts to keep America in a position of technological leadership. Every effort should be made to encourage our inventors and creators to develop innovative products. Many complaints have been made about the Patent Office and the service it renders. Every reasonable step should be taken to speed up its work and reduce the backlog of applications not yet acted upon.

The Committee, however, does not feel that all of the proposals made in the legislation are needed in the manner presented. In fact, some may be counterproductive.

COPYRIGHT OFFICE STUDY

One proposal in the original bill calls for a study by the Comptroller General analyzing the efficiency of the Patent and Trademark Office, the Copyright Office, and the Copyright Royalty Tribunal. It seems to

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us that such a study of the Patent Office is unnecessary. Its deficiencies are well known. The suggested study of the Copyright Office and the Copyright Royalty Tribunal seemed directed toward the possible merger of these two offices with the Patent Office. During our subcommittee hearings, we heard testimony from the Librarian of Congress, who supervises the work of the Copyright Office. It was his testimony that the Office had recently undergone an investigation by the House Committee on Appropriations and had been subject to an internal audit by the Library of Congress within the past year. A number of changes in its operations have been brought about and that Office is now operating under a new copyright law which became effective in 1978 and a new Register of Copyrights has been appointed. Furthermore, there has been an entire staff relocation during which the Office was moved, and such relocations bring about some disruption in operation. It was his opinion, and the committee agreed, that an investigation at this time would serve no useful purpose and that a possible merger of those offices should not take place in the immediate future. The committee, therefore, recommended an amendment that would delete the proposed study and report.

PATENT OFFICE REORGANIZATION

The bill as reported by the Judiciary Committee would remove the Patent Office from the Department of Commerce, where it has been located for many years, and establish it as an independent agency. This proposal is apparently based on the assumption that the Patent Office would function more efficiently and be able to claim greater resources as an independent agency. The committee explored this matter at some length and heard testimony from the Secretary of Commerce. Secretary Klutznick, speaking for the Administration, strongly opposed the removal of the agency from the Department. He cited actions which had been taken in the recent past. A zero base analysis of Patent-

Trademark Office operations produced an internal reorganization of the Office to strengthen and integrate its financial and planning activities. The financial resources of the Office have been improved. The Secretary said, "Under this Administration, the budget of the PTO has increased at a faster rate than that of the Commerce Department as a whole." He said that in the fiscal year 1981 budget, made at a time of severe budgetary constraint, a $6,300,000 increase in the PTO appropriation was requested. He also stated that the fee provisions contained in this legislation are a major initiative to place the financing of the PTO on a more secure basis by revising its funding mechanism and by requiring that fees be set to recover a substantial portion of the PTO's operating expenses.

It is expected that if an independent Patent Office were established with its own administrative hierarchy, and which must make available the facilities and services that are now being provided by the Department of Commerce, such a reorganization would be a very costly operation. Furthermore, taking the Patent Office out of Commerce will not necessarily enhance its efficiency or improve its services to the business community and the public. What further changes in operations may be needed could just as well be done within the Department of Commerce.

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As experience has shown, any reorganization requires a temporary slowdown in operations and procedures until the new organization has been put into effect. There is no way to estimate how long such a slowdown could take.

An independent PTO will not necessarily in itself bring about an increase in the number of patent examiners nor in the amount of funding available to the Office, but steady improvement in the efficiency of the agency will produce the climate to obtain greater resources. The committee, therefore, recommends that the provision in the bill making the Patent and Trademark Office an independent agency be deleted and the Office remain in the Department of Commerce.

DEVELOPMENT OF A COMPUTERIZED DATA AND RETRIEVAL SYSTEM

H.R. 6933, as amended, requires the Commissioner of the Patent and Trademark Office to identify and, if necessary, develop a computerized data and retrieval system. The committee believes such a system is essential if the Patent Office is to effectively fulfill its responsibilities under this legislation.

In 1978, the Committee on Government Operations conducted a review of the Patent Office's management and use of computer resources. That study revealed that the Patent Office had failed to apply modern technology to its operations and that serious technical and operating problems continued to plague the agency. Deficiencies were especially apparent in the Patent Office project to develop a computerized data and retrieval system.

In the mid-1960's, the Patent Office prepared a plan to have delivered a computerized system which would electronically prepare patents for printing and which would prepare a data base of approved patents which ultimately would be retrievable for patent searches.

In order to implement the Patent Office's plan, a contract was awarded to International Computaprint Corporation (ICC) in April

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of 1970 for one year, with two one-year options, at a cost of $10,053,-766.71 per year.

Although the plan called for the Patent Office both to assume operation of the work performed by the contractor and to develop a retrieval system for patent searches, the Patent Office failed to do either. By 1978, the Patent Office had contracted with ICC for over seven years and during this period had granted the contractor nine extensions on a noncompetitive, sole-source basis. Overall, the Patent Office has paid this contractor in excess of $32 million even though the data base, as required under the original contract, is incomplete. In addition, the Patent Office's ill-fated attempts to develop a retrieval system has cost millons.

On three separate occasions, the Patent Office ostensibly sought to compete the data base contract work. Each time the effort was aborted. These actions raised serious questions about the legality and propriety of both the Commerce Department's and the Patent Office's management of this project, particularly (a) the methods by which the Patent Office sought to implement this plan, (b) the extent to which the original objectives of the plan have been met, and (c) the extent to which the actions of the Patent Office and Commerce Department have been legal and proper.

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The committee believes it is essential for the Patent Office to conduct a thorough review of its ADP management to insure that the deficiencies illustrated by its ill-fated data base and retrieval project have been corrected. Such a study should be conducted and the problems resolved before any new effort to develop a computer system is initiated.

It is the committee's view, however, that a six-month timeframe is too short for adequate and comprehensive consideration and development of such a system. In order to insure that the system which is proposed is adequate to the needs of PTO and as efficient and economical as possible, the committee has extended the time for this report to be submitted to Congress to two years.

H.R. 6933, as reported by the Committee on the Judiciary, also required the Commissioner to report to the Congress every six months on the progress being made is implementing a program of computer technology. In the interest of curtailing burdensome reporting requirements that are of limited use, the Committee on Government Operations has removed this reporting requirement. The committee believes that the same purpose should be served through the oversight process of committees of Congress having jurisdiction over the Patent and Trademark Office.

Section-by-Section Analysis

SECTIONS 1-5

Section 1 of the bill adds seven new sections to the patent laws to establish a patent reexamination system. These seven new sections would constitute Chapter 30 of Title 35 of the United States Code.

Section 2 of the bill would restructure and modernize Section 41 of Title 35 of the United States Code, the basic fee provision of the patent laws.

Section 3 of the bill would amend Section 41 of Title 35 of the United States Code to provide for the crediting of fee revenue to the Patent and Trademarks Office Appropriation Account.

Section 4 of the bill is a technical amendment to Section 154 of the patent law necessitated by creation of the maintenance fee system.

Section 5 of the bill amends Section 31 of the Trademark Act of 1946, as amended (15 U.S.C. 1113) to modernize the trademark fee system.

Inasmuch as these provisions are not within the jurisdiction of the Government Operations Committee, the reported bill makes no changes in sections 1 through 5 of H.R. 6933 as reported by the Committee on the Judiciary. (See House Report 96-1307, Part I, for explanation.)

SECTION 6

Section 6 of the bill amends Title 35 of the United States Code by adding after chapter 37 a new Chapter 38, the Government Patent Policy Act of 1980.

Section 381. Title

Section 381 provides for the chapter to be known as the Government Patent Policy Act of 1980.

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SUBCHAPTER I—CONTRACT INVENTIONS

Section 382. Contract inventions; reporting

Section 382 definies "contract inventions" and sets forth a contractor's responsibility with regard to a contract invention.

Subsection (a) defines "contract inventions" as "inventions made in the course of or under Federal contracts."

Subsection (b) requires that all contractors provide the responsible Federal agency with timely reports on each contract invention containing sufficient technical information to inform the Government as to the nature of the invention and a list of each country, if any, in which the contractor elects to file a patent application.

The Government is prohibited from publishing or releasing these reports until the earlier of one year from receipt of the invention disclosure or the contractor has had a reasonable time to file a patent application; the Government also must withhold such information from other records or reports.

Subsection (c) provides that the responsible agency may deprive a contractor who unreasonably fails to file the reports required by subsection (b) of any or all of the rights it otherwise would have under subchapter I pertaining to the contract invention for which such report has been unreasonably withheld.

Section 383. Allocation of rights—small businesses and nonprofit organizations

Subsection (a) provides for the acquisition of title to contract inventions by contractors which are either a small business or a nonprofit organization. They would acquire title in each country listed under section (b)(2) of section 382 in which they filed a patent application within a reasonable time; their title would be subject to the Government's minimum rights under section 386 and to march-in rights under section 387.

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Subsection (b) provides for acquisition of title to contract inventions by the Government in each country in which a small business or nonprofit organization elects not to file a patent application or fails to file within a reasonable time.

Section 384. Allocation of rights—other contractors

Subsection (a) provides that a contractor that is not a small business or nonprofit organization will have four and one-half years from the filing of an invention report under section 382(b) to select one or more fields of use which it intends to commercialize or otherwise achieve public use under an exclusive license. During the four and one-half year period the contractor will have temporary title to the invention, subject to the Government's right under the Act.

Subsection (b) provides for the contractor to receive an exclusive license in each described field of use if it files a United States patent application within a reasonable time. The contractor's license is subject to the Government's minimum rights under section 386 and march-in rights under section 387.

Subsection (c) provides that the contractor will automatically acquire an exclusive license for each described field of use by operation of law ninety days after providing the responsible agency with the field of use report required by subsection (a) of section 384 unless the

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agency earlier notifies the contractor of a contrary determination under subsection (d) of this section with respect to such field of use.

Subsection (d) sets forth the basis for an agency determination that a contractor will not receive an exclusive license in a selected field of use; if the responsible agency determines that the contractor's possession of such license (1) would impair national security; or (2) would create or maintain a situation inconsistent with the antitrust laws.

Subsection (e) provides that, whenever an agency determines that a contractor will not receive an exclusive license in any field of use, it must include in its determination written reasons, and that the contractor has the right of appeal de novo to the United States Court of Customs and Patent Appeals within sixty days after the determination is issued. The Court of Customs and Patent Appeals is given exclusive jurisdiction to affirm, reverse, or modify the agency determination. Specifically included is the authority for the court to order the responsible agency to issue an exclusive license to the contractor.

Subsection (f) permits the contractor to obtain title to any contract invention in any foreign country in which the contractor agrees to file a patent application, unless the responsible agency determines that the national interest would be affected adversely, which should not occur except in extraordinary circumstances. However, title will be subject to the Government minimum rights under section 386 and march-in rights under section 387. If the contractor does not file a patent application within a reasonable time, then the Government may acquire title to patents on the contract invention.

Section 385. Contractor license

Subsection 385 automatically grants a nonexclusive, royalty free license to each contractor complying with subsection (b) of section 382 to practice the contract invention in all countries in which it neither receives title under subsection (a) of section 383 nor has an

exclusive license under subsection (b) of section 384. This nonexclusive contractor license may be revoked by the Government only to the extent necessary to grant an exclusive license under subchapter III.

Section 386. Minimum Government rights

Subsection (a) sets forth the minimum rights the Government has in every contract invention, unless waived under the authority of section 388. These minimum rights are:

(1) The right to require from the contractor written reports on the use of the invention if patented;

(2) A royalty-free worldwide license to practice the invention or have it practiced for the Government; and

(3) The right to license or sublicense state and local governments to practice the invention or have it practiced for them, if the agency determines at the time of contracting that acquisition of this right would serve the national interest.

Subsection (b) requires that whenever the Government has rights in a contract invention, notice to that effect shall be included in each United States patent application and patent on the invention.

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Section 387. March-in rights

Section 387 sets forth the basis on which the Government may terminate the contractor's title or exclusive rights with respect to one or more fields of use in any patent on a contract invention; may require the contractor to grant appropriate license or sublicense to responsible applicants; or, if necessary, may grant such licenses or sublicenses itself.

Subsection (a) sets forth the grounds for exercise of march-in rights:

(1) If the contractor has not taken and is not expected to take timely and effective action to achieve practical application of the invention in one or more of the fields of use selected;

(2) If necessary to protect the national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) If continuation of the contractor's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

(5) If the contractor has failed to comply with the reporting requirements of this Act with respect to such invention.

Subsection (b) permits the responsible agency to exercise its march-in rights either on its own initiative or in response to a petition from an interested person justifying such action.

Subsection (c) enables an agency to specify reasonable licensing terms whenever, in exercise of its march-in rights, it requires a contractor to grant a license or sublicence.

Section 388. Deviation and waiver

Section 388 permits Federal agencies, to further an agency's mission and the public interest, to deviate from any standard patent rights clause issued under section 390 acquiring more or fewer rights to a contract invention.

Subsection (a) authorizes deviations either on a class basis in accordance with regulations to be issued under section 390, or, unless

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prohibited by those regulations, under regulations issued by an agency itself. Case-by-case deviations are permitted when authorized by the head of an agency or a designee, and described in the Federal Register.

Subsection (b) forbids waiver under any circumstances of the national security and antitrust march-in rights reserved by sections 387(a)(2), 387(a)(4), and 387(c).

Subsection (c) allows waiver of rights reserved by sections 384(a) and 387(a)(1) only: (1) in contracts involving cosponsored, cost-sharing or joint venture research to which the Contractor makes a substantial contribution of funds, technology, facilities, or equipment; or (2) in contracts with a contractor whose participation is necessary for the successful accomplishment of an agency mission and such contract cannot be obtained under the standard patent rights clause.

Section 389. Transfer of rights to contractor employees

Section 389 authorizes a contractor's employee-inventor to receive some or all of the contractor's rights to a contract invention if the

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responsible agency and the contractor approve. The corresponding obligations of the contractor under subchapter I then become the obligations of the employee.

Section 390. Regulations and standard patent rights clause

Subsection 390(a) requires the Office of Federal Procurement Policy to direct the issuance of regulations implementing subchapter I, including the establishment of a standard patent rights clause or clauses.

Subsections (b), (c) and (d) require a sharing of the royalties and/or revenues with the Government to pay the Government for Federal funding of research and development. Regulations to be developed may permit waiver of some or all of this payment.

SUBCHAPTER II—INVENTIONS OF FEDERAL EMPLOYEES

Section 391. Employees inventions

Section 391 defines "employees inventions" as inventions made by Federal employees.

Section 392. Reporting of inventions

Section 392(a) requires that a Federal employee report to the employee's agency all inventions made while an employee of that agency. The Government is prohibited from publishing or releasing these reports until the earlier of one year after their receipt or the final disposition of rights under this subchapter.

Section 393. Criteria for the allocation of rights

Section 393 establishes the criteria for allocation of invention rights between the Government and its employee-inventor. Basically, the allocation depends upon the relationship of the invention to the employee's work and the use of Government resources.

Paragraph (1) provides for Government acquisition of all invention rights if the invention bears a direct relation to the duties of the employee-inventor or was made in consequence of the employee's employment.

Paragraph (2) provides that, where the invention neither bears a direct relation to the employee's duties nor was made in consequence

of the employee's employment, but was made with a contribution of Federal resources, the employee may receive all rights in the invention subject to a nonexclusive royalty-free worldwide license to the Government to practice the invention or have it practiced for the Government as well as to sublicense State, local, or foreign governments if acquisition of this right would serve the national interest.

Paragraph (3) permits the Government to waive to the employee its rights under paragraph (1) of this section, subject to the Government license described in paragraph (2) of this section, if the agency finds insufficient interest in the invention to warrant exercising the Government's rights.

Paragraph (4) requires the Government to acquire all rights in any invention if the national security might be impaired should the employee-inventor receive rights to it, notwithstanding the provisions of paragraphs (2) or (3) of this section.

Paragraph (5) entitles an employee-inventor to all rights in an invention made by the employee not covered by paragraphs (1), (2), or (3) of this section.

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Paragraph (6) permits the Government to enter into agreements allocating rights in inventions resulting from research and development to which other parties have contributed substantially, notwithstanding paragraph (1) of this section.

Section 394. Presumptions

Section 394 establishes rebuttable presumptions for the application of the criteria set forth in section 393.

Subsection (a) sets out employee duties which establish a rebuttable presumption that an invention falls within the criteria of paragraph (1) of section 393.

Subsection (b) establishes a rebuttable presumption that an invention made by an employee whose duties fall outside those listed in paragraph (a) of this section falls within the criteria of paragraph (2) of section 393, reserving to the employee title to an employee-invention subject to certain license rights in the Government.

Section 395. Review of agency determinations

Section 395 provides for the review of Federal agency determinations regarding the respective rights of the Government and a Federal employee-inventor in situations in which the agency determines not to acquire all rights in an invention or where an aggrieved employee-inventor requests review. The review is to be conducted according to regulations issued under section 399.

Section 396. Reassignment of rights

Section 396 establishes a right in the Government to adjust the rights acquired from a Federal employee-inventor on the basis of evidence that the granting of greater rights to the employee-inventor is necessary to correct an inequitable allocation of rights.

Section 397. Incentive awards program

Subsection (a) provides Federal agencies the right to establish an incentive awards program which is intended to monetarily recognize Federal employee-inventors, stimulate innovative creativeness, and encourage disclosures of inventions which in turn will enhance the pos-

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sibility of utilization through the Federal licensing program established under subchapter III.

Subsection (b) sets forth the criteria for making an award.

Subsections (c), (d), and (e) establish the procedures for making awards of different amounts.

Subsection (f) provides that acceptance of a cash reward constitutes an agreement by the employee-inventor that any use by the Government of an invention for which an award is made does not form the basis of a further claim of any nature against the Government by the receipt, his heirs, or assigns.

Subsection (g) requires that an award should be paid from the fund or appropriation of the agency primarily benefitting.

Section 398. Income sharing from patent licenses

Section 398 authorizes Federal agencies to share income from licensing the Government's patent rights with the employee-inventor.

Section 399. Regulations

Subsection (a) makes the Secretary of Commerce responsible for issuing regulations to implement subchapter II.

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Subsection (b) provides that determination concerning a Federal employee's promotion of the employee's invention is subject to regulations to be prescribed by the Secretary of Commerce with the concurrence of the Office of Government Ethics and the Attorney General.

SUBCHAPTER III—LICENSING OF FEDERALLY OWNED INVENTIONS

Section 400. Covered inventions

Section 400 provides that subchapter III applies to all federally-owned patent rights, including licenses or sublicenses granted or required to be granted by the Government under section 387, upon or after exercise of the march-in provisions. However it does not apply to licenses established by the other sections of subchapter I.

Section 401. Exclusive or partially exclusive licenses

Section 401 sets out terms and conditions under which a Federal agency may grant an exclusive or partially exclusive license.

Subsection (a) provides that an exclusive or partially exclusive domestic license not automatically granted under section 384 may be granted only after public notice and opportunity for filing written objections and only if the responsible agency determines that such licensing is necessary to achieve practical application of the invention and that the scope of proposed exclusivity is not greater than reasonably necessary.

Subsection (b) provides that an exclusive or partially exclusive foreign license may be granted only after public notice and opportunity for filing written objections and after a determination whether the interests of the Government or of United States industry in foreign commerce will be enhanced.

Subsection (c) prohibits the granting of a license under this section if the responsible agency determines that the grant would create or maintain a situation inconsistent with the antitrust laws.

Subsection (d) requires Federal agencies to maintain publicly available, periodically updated records of their determinations to grant exclusive or partially exclusive licenses.

Section 402. Minimum Government rights

Section 402 sets forth the minimum rights the Government is to have in every exclusive or partially exclusive license:

(1) The right to require from the licensee written reports on the use of the invention;

(2) A royalty-free, worldwide right to practice the invention or have it practiced for the Government; and

(3) The right to license State and local, to practice the invention or have it practiced for them if the agency determines that reservation of this right would serve the national interest.

Section 403. March-in rights

Section 403 sets forth the basis on which the Government may terminate an exclusive or partially exclusive license.

Subsection (a) sets forth the grounds for such termination:

(1) If the licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention in the fields of use affected;

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(2) If necessary to protect national security;

(3) If necessary to meet requirements for public use specified by Federal regulation;

(4) Continuation of licensee's rights in the invention would create or maintain a situation inconsistent with the antitrust laws; or

(5) If the licensee has failed to comply with the terms of the license.

Subsection (b) permits the responsible agency to exercise its march-in rights either on its own initiative or in response to a petition from an interested person.

Section 404. Regulations

Section 404 makes the Office of Federal Procurement Policy responsible for directing the issuance of regulations specifying the terms and conditions upon which federally-owned patent rights may be licensed. Agencies are permitted to deviate from such regulations on a class basis unless prohibited by the Office of Federal Procurement Policy.

SUBCHAPTER IV—MISCELLANEOUS

Section 405. Patent enforcement suits and right of intervention

Subsection 405(a) provides for enforcement of an exclusive license under the chapter by an exclusive licensee without the necessity of joining the United States or any other exclusive licensee as a party. However, the Attorney General and the agency that granted the license must be given prompt notice of the suit and served copies of papers as though they were parties to the suit.

Subsection (b) requires the responsible agency to notify all of its exclusive licensees of any suit by an exclusive licensee, the Government, or another person.

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Section 406. Background rights

Section 406 specifies that nothing contained in this chapter will be construed to deprive the owner of any background patent or of rights under such a patent.

Section 407. Notice, hearing, and judicial review

Subsection (a) requires that agency determinations under sections 382, 387(a) and 387(c), and 403, must have written reasons and be preceded by public notice and an opportunity for a hearing in which the United States, any agency, and any interested person may participate.

Subsection (b) permits the United States or any adversely affected participant to appeal a subsection (a) determination to the United States Court of Customs and Patent Appeals within sixty days after it is issued. The Court of Customs and Patent Appeals is given exclusive jurisdiction to determine the matter de novo, affirming, reversing, or modifying the agency determination.

Section 408. Relationship to other laws

Section 408 is intended to remove any implication that the act

Section 408 is intended to remove any implication that the act provides immunity from the antitrust laws.

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Section 409. Authority of Federal agencies

Subsections (a), (b), (c), (d), (e), and (f) set forth the authority of Federal agencies to protect patent rights at home and abroad in—"any invention in which the Government has an interest in order to promote the use of inventions having significant commercial potential or otherwise advance the national interest"—to license federally-owned patent rights; to transfer patent rights to and accept transfers of patent rights from other agencies without regard to the property transfer procedures required py the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471); to withhold publication or release of information disclosing any invention long enough for patent applications to be filed; to promote the licensing of federally-owned patent rights; and to enter into contracts to accomplish the purpose of this section.

Section 410. Responsibilities of the Secretary of Commerce

Section 410 provides authority for the Department of Commerce to assist other Federal agencies administer the licensing of federally-owned inventions.

Paragraph (a)(1) authorizes the Secretary to consult with the Federal agencies about areas of science and technology with commercial potential.

Paragraph (a)(2) authorizes the Secretary of Commerce to coordinate a program to help agencies carry out their authorities under section 409.

Paragraph (a)(3) authorizes the Secretary to evaluate inventions referred to it by Federal agencies in order to identify those inventions with the greatest commercial potential.

Paragraph (a)(4) authorizes the Secretary to assist the Federal agencies in seeking and maintaining patent protection in any country, including the payment of fees and costs.

Paragraph (a)(5) authorizes the Secretary to develop and manage a government-wide program, with private sector participation, to stimulate transfer to the private sector of potentially valuable federally-owned technology through the dissemination of information about the technology.

Paragraph (a)(6) authorizes the Secretary to publish notices of all federally-owned patent rights available for licensing.

Paragraph (a)(7) requires the Secretary, seven years after the date of enactment of the Act, to report on its operation to the Congress.

Subsection (b) authorizes the appropriation to the Secretary of Commerce of such sums as thereafter may be necessary to enable the Secretary to carry out responsibilities under this section.

Section 411. Definitions

Section 411 sets out the definitions, for purposes of the Act for the terms "Agency," "Responsible agency," "antitrust laws," "contract," "contractor," "Federal employee," "invention," "made," "nonprofit organization," "patent rights," "practical application," "small business," "state," "local," and "will."

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SECTION 7

Section 7 amends or repeals parts of other acts as necessary to implement the provisions of new chapter 38 of title 35, United States Code. Acts amended or repealed in part are:

Title 7, U.S.C 427(i).
Title 7, U.S.C. 1624(a).
The Federal Coal Mine Health and Safety Act of 1969.
The National Traffic and Motor Vehicle Safety Act of 1966.
The National Science Foundation Act of 1950.
The Atomic Energy Act of 1954.
The National Aeronautics and Space Act of 1958.
The Coal Research and Development Act of 1960.
The Helium Act Amendments of 1960.
The Arms Control and Disarmament Act of 1961.
The Appalachian Regional Development Act of 1965.
The Federal Nonnuclear Energy Research and Development Act of 1974.
The Tennessee Valley Authority Act of 1933.
The Consumer Product Safety Act.
Title 30, U.S.C. 323.
The Resources Conservation and Recovery Act of 1976.
The Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976.
Public Law 95-39.
The Water Research and Development Act of 1978.

SECTION 8

Section 8 provides for effective date of the bill's provisions.

Subsection 8(a) specifies sections 2, 4, and 5 will take effect on enactment.

Subsection 8(b) provides that section 1 will take effect on the first day of the seventh day after enactment and will apply to patents then in force or issued thereafter.

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Subsection 8(c) provides that section 3 will take effect on the first day of the first fiscal year beginning one calendar year after enactment. However, until that section takes effect, the Secretary, in order to pay the cost of reexamination proceedings, may credit the Patent and Trademark Office Appropriation Account with the revenues from collected reexamination fees.

Subsection 8(d) continues existing fees until new fees are established.

Subsection 8(e) provides that maintenance fees shall not be applicable to patents applied for prior to the date of enactment of the Act.

Subsection 8(f) provides that sections 6 and 7 of the bill will take effect on the first day of the seventh month after its enactment, although implementing regulations may be issued earlier.

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SECTION 9

Section 9 requires the Commissioner of Patents and Trademarks to report to Congress, within two years after the effective date of the Act, on a plan for computerized data and retrieval systems for the operation of the Patent and Trademark Office.

SECTION 10

Subsection 10(a) adds a definition of "computer program" to section 101 of Title 17, United States Code.

Subsection 10(b) amends section 117 of Title 17, United States Code in regard to copyrights on computer programs.

COST ESTIMATE OF THE CONGRESSIONAL BUDGET OFFICE

The cost estimate prepared by the Congressional Budget Office is contained in the following letter from its Director:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., September 23, 1980.

Hon. JACK BROOKS,
Chairman, Committee on Government Operations, U.S. House of Representatives, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 6933, a bill to amend the patent and trademark laws.

Should the committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

SEPTEMBER 23, 1980.

1. Bill number: H.R. 6933.

2. Bill title: A bill to amend the patent and trademark laws.

3. Bill status: As ordered reported by the House Committee on Government Operations on September 23, 1980.

4. Bill purpose: This bill would establish a new fee structure within the Patent and Trademark Office (PTO), provide for a system of administrative reexaminations, and create a uniform government policy regarding patent rights. The PTO would also be required to implement a computerized data and retrieval system. In addition, H.R. 6933 would repeal section 117 of the 1976 Copyright Act to clarify copyright laws regarding computer programs.

5. Cost estimate: The table below reflects the budget impact resulting from a change proposed by H.R. 6933 in the classification of the fees received by the PTO.

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[By fiscal years, in millions of dollars]

	1981	1982	1983	1984	1985
Revenue reduction	1.8	23.2	23.8	24.3	24.8
Net spending reduction:					
Estimated authorization level	1.9	23.8	24.8	25.8	31.8
Estimated outlays	2.4	24.7	24.8	25.8	31.8
Net budget impact[1]	−.6	−1.5	−1.0	−1.5	−7.0

[1] Negative sign indicates increased surplus or decreased deficit.

The costs of this bill fall primarily within budget subfunction 376.

6. Basic of estimate: For purposes of this estimate, it is assumed that this bill will be enacted around October 1, 1980.

REEXAMINATION OF PATENTS

H.R. 6933 would allow any party to petition the PTO to reexamine a patent for validity. The cost of reexamination would be paid by the party based on a fee structure established by the Commissioner of Patents. It is anticipated that the number of patent applications for reexaminations will be limited by the cost involved and the potential for commercial development. Based on rates currently available in foreign countries for similar procedures, as well as estimates provided by the PTO, it is estimated that the number of appeals will be approximately 500 in fiscal year 1981, increasing to 2,000 by 1982, and remain relatively stable thereafter.

Although the bill does not specifically authorize funding for this purpose, it is assumed that additional staff will be required to handle the reexamination procedures. Based on PTO data, it is estimated that the average cost per employee, including overhead and benefits, would be approximately $40,000 in fiscal year 1981. Assuming approximately 30 hours per reexamination, plus clerical support, it is estimated that approximately 55 appeals could be reviewed annually by a professional staff member. It is estimated that the cost of this procedure would be approximately $0.4 million in fiscal year 1981,

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which reflects six months' activity. Costs are estimated to be $1.4 million in fiscal year 1982, increasing to $2.5 million by fiscal year 1985. It is assumed, however, that the full amount required by the PTO for salaries and expenses would be recovered by fees set at the beginning of the fiscal year and adjusted annually for inflation and anticipated workload. It is assumed that fees would be included with the request for reexamination and reflected as a reimbursable to the agency, resulting in a net outlay of around zero in each fiscal year.

REVISION OF FEE STRUCTURE

H.R. 6933 would restructure the current fee structure for patents and trademarks. Currently, the PTO recovers approximately 20 percent of the cost of processing patents and approximately 30 percent of the cost of issuing trademarks. These fees are deposited in the general fund of the Treasury.

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The bill would allow the PTO to recover up to 25 percent of the average processing costs and 25 percent of the maintenance costs for patents, the latter fee collected in four installments over the life of the patent. In addition, the PTO would be allowed to recover a maximum of 50 percent of the cost of issuing trademarks. All fees for patents and trademarks could be adjusted no more than once every three years and would be credited to the PTO as a reimbursable to the agency, rather than as a revenue to the Treasury.

It is assumed that the revised fee structure for trademarks would be implemented early in the second quarter of fiscal year 1981, and for patents beginning in fiscal year 1982. It is assumed that the agency costs for processing patents and trademarks from which recovery could be made would be approximately $84 million in fiscal year 1982, increasing to approximately $109 million by fiscal year 1985. It is assumed that an average recovery rate of 25 and 50 percent, adjusted ever ythird year, would be established for processing fees for patents and for trademarks, respectively. Patent maintenance fees would be collected three times in a patent's life—around the fourth, eighth, and twelfth year. Since the first payment would not be made until fiscal year 1986, it is not reflected in the table below.

[By fiscal years, in millions of dollars]

	1981	1982	1983	1984	1985
Estimated revenues: Existing fee structure:					
Patents	20.3	20.8	21.3	21.8	22.2
Trademarks	2.4	2.4	2.5	2.5	2.6
Total	22.7	23.2	23.8	24.3	24.8
Proposed fee structure in H.R. 6933:					
Estimated collections:					
Patents [1]	[2] 20.3	21.2	21.2	21.2	27.2
Trademarks:	3.6	3.6	3.6	4.6	4.6
Total	23.6	24.8	24.8	25.8	31.8
Net budget impact	−.9	−1.6	−1.0	−1.5	−7.0

[1] Maintenance fees would be collected beginning in fiscal year 1986, and by fiscal year 1994 would result in revenues approximately twice those estimated for processing.
[2] The current fee structure for patents remains in effect through fiscal year 1981.

GOVERNMENT PATENT POLICY

H.R. 6933 would establish a uniform federal system for the commercialization and allocation of rights in inventions resulting from federally sponsored or supported research and development. The bill would allow contractors from small businesses and non-profit institutions to acquire title to inventions resulting from government-funded research. Other contractors could receive exclusive licenses for specific uses. The bill directs the Office of Federal Procurement Policy (OFPP) to issue regulations to implement these policy changes. According to the OFPP, the cost of revising existing regulations would be minimal. It is estimated implementation of these changes in the various federal agencies, including training, would cost approximately $650,000 in fiscal year 1981. Outlays are estimated to be 90 percent the first year and 10 percent the second year.

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H.R. 6933 would revise the criteria for allocation of invention rights between the federal government and employees who produce inventions. To stimulate innovation, the bill would establish an incentive cash awards program to federal employee-inventors. The awards are to be paid from funds from royalties or agency appropriations; consequently, it is estimated that this provision would result in no additional cost to the government.

The bill also authorizes federal agencies to share income from licensing the government's patent rights with the employee-inventor. It is not possible at this time to estimate the extent which royalties will be generated or shared with employee-inventors.

OTHER

The bill would repeal section 117 of the 1976 Copyright Act, which disclaims any intent to modify the pre-existing copyright law for computer programs. This has the effect of clearly applying the 1976 law to computer programs, which is not expected to have a cost impact upon the federal government.

In addition, H.R. 6933 outlines the responsibilities of the Secretary of Commerce to assist agencies and others in promoting access to patent information. Currently these activities are being performed by the National Technical Information Service (NTIS), created in 1970. The President is requesting approximately $740,000 for these activities in fiscal year 1981, which is about the same level of funding in the current fiscal year. The bill would authorize the appropriation of such sums as may be necessary for these activities. Since current law authorizes these activities it is estimated that no additional costs would be incurred as a result of enactment of this legislation.

Finally, the PTO would be required to report within two years of date of enactment on the status of a computerized data retrieval system. Since the PTO is already planning to study and evaluate the feasibility of such a system, it is assumed that any significant costs incurred as a result of analyzing or implementing such a system would not be a direct result of the legislation. Consequently, no cost has been estimated for this provision.

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7. Estimate comparison: The Commissioner of Patents has estimated that approximately 1,000 to 3,000 requests for reexaminations would be made annually, requiring from 25 to 100 additional staff members, at a cost of between $1 million and $4.5 million annually. CBO estimates approximately 500 applications will be processed beginning in fiscal year 1981 because a later date of enactment is assumed.

8. Previous CBO estimate: On August 28, 1980, the CBO prepared a cost estimate on H.R. 6933, as ordered reported by the House Committee on the Judiciary on August 20, 1980. This version of H.R. 6933 would have required the General Accounting Office to report on the desirability of merging the Patent and Trademark Office (PTO) with the Copyright Office and the Copyright Royalty Tribunal. It would also have established the PTO as an independent agency, removing it from the Department of Commerce. The difference in costs between the two versions of H.R. 6933 reflect these differing provisions.

On February 27, 1980, the CBO prepared a cost estimate for S. 1679, the Patent Law Amendments of 1979, as ordered reported by the Sen-

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ate Committee on the Judiciary on February 19, 1980. The costs of S. 1679 and the costs attributed to reexamination in this bill are the same, with adjustments assumed for date of enactment.

On December 4, 1979, CBO prepared a cost estimate on S. 414, the University and Small Business Patent Procedures Act, as ordered reported by the Senate Committee on the Judiciary on November 20, 1979. The CBO estimated that no significant cost would be incurred by the government if a uniform patent procedure for small businesses and nonprofit organizations performing government-supported research and development were established.

9. Estimate prepared by: Mary Maginniss.

10. Estimate approved by:

C. G. Nuckols
(For James L. Blum,
Assistant Director for Budget Analysis).

Committee Estimate of Cost

A number of provisions in the bill do not come within the jurisdiction of the Committee on Government Operations. These have not been considered in depth by the committee and, therefore, the committee has no basis upon which to make an estimate of cost for the entire bill.

Inflationary Impact

The committee has insufficient evidence available on which to determine whether this legislation will have a significant inflationary impact on prices and costs in the operation of the economy.

New Budget Authority and Tax Expenditures

The bill, as reported by the Committee on Government Operations, provides no new budget authority and tax expenditures.

Review of Existing Law

In compliance with Subdivision (A) of Clause 2(1)(3) of House Rule XI, the Subcommittee on Legislation and National Security reviewed the application and administration of the laws relating to patent policy and organization.

Oversight Findings

No oversight findings or recommendations were made, other than the legislation recommended in this report.

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ADDITIONAL VIEWS OF HON. JACK BROOKS

The major problem I have with H.R. 6933 is that it violates a basic provision of the unwritten contract between the citizens of this country and their government; namely, that what the government acquires through the expenditure of its citizens' taxes, the government owns. Assigning automatic patent rights and exclusive licenses to companies or organizations for inventions developed at government expense is a pure giveaway of rights that properly belong to the people.

The argument is made by proponents of the bill that it will spur productivity, a goal that is both necessary and desirable if the United States is to regain its position in the world economy. But that argument ignores the fact that the Federal Government is already paying half the costs of research and development in the United States at an annual cost of $30 billion. No companies or nonprofit organizations that I know of have been turning down that money because they are not now receiving automatic patent and exclusive licensing rights. So unless it is the intent of the supporters of H.R. 6933 that the government greatly increase this already enormous public investment in research and development, I fail to see how enactment of the bill will lead to increased production.

It is also argued that this legislation will increase competition in industry and thereby spur production. But again the connection is hard to establish. Under current practice, inventions, new products and technological advances developed under government contracts—unless awarded to a specific contractor under existing permissible arrangements—are available to all. That approach would seem to offer far greater potential for increased competition and productivity than handing over exclusive rights to one company. In the latter case the company might even choose to reduce production with the aim of increasing its profits.

Admiral Hyman G. Rickover testified at the hearings by the Legislation and National Security Subcommittee that:

> Based on 40 years experience in technology and in dealing with various segments of American industry, I believe the bill would achieve exactly the opposite of what it purports. It

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would impede, not enhance, the development and dissemination of technology. It would hurt small business. It would inhibit competition. It would promote greater concentration of economic power in the hands of large corporations. It would be costly to the taxpayer.

I do not overlook or underestimate the importance of patents in developing and maintaining a thriving economy. My concern is simply the role of the government and the rights of the people in the patent process. When a private company risks its own money to develop new products and procedures it deserves and receives

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the profits that may result. There should not be a different standard applied when it is the government that risks the taxpayers' money. The rewards of successful research and development conducted at government expense should go to all the people.

I agree wholeheartedly with the establishment of a U.S. patent policy that encourages the development and production of new products, that will reward those who take risks, and that will inspire increased confidence in our economy. My comments above deal only with the very special issue of government-funded research and development activities. (A fuller explanation of my views can be found in the report of H.R. 6933, as reported by the House Judiciary Committee, H. Rept. 96-1307, Part I, pp. 29-32.)

The Federal Government has the equivalent of a fiduciary responsibility to the taxpayers of this country. Property acquired with pubic funds should belong to the public. Deviations from that fundamental principle should be allowed only where a compelling justification can be shown and where the voice of the public can be heard in protest. This legislation stands that principle on its head by automatically conveying title or the exclusive right to use public property to private entities and placing the burden on the Federal government to demonstrate that a retrieval of those rights is in the public interest.

JACK BROOKS.

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ADDITIONAL VIEWS OF HON. TOBY MOFFETT

Encouraging industrial innovation and increased productivity by U.S. businesses is central to retaining our commercial primacy in the world marketplace. For that reason, the goals of H.R. 6933 and its sponsors are easily shared and properly applauded by all of us.

Unfortunately, the approach taken by H.R. 6933 appears to be seriously flawed. I share the general view expressed by Chairman Jack Brooks in fearing that the bill constitutes a "giveaway of rights that properly belong to the people." Sections 6 and 7 of the bill go too far in favoring the commercial rights of contractors doing research with government—that is, taxpayers'—funds. And it does so without adequate demonstration that the stated lofty goals of increased innovation and productivity will in fact result from shifting the law for the benefit of these contractors.

To pursue that point, let me turn one of the proponents' arguments on its head. It is said that we need "uniformity" in this area, and it is pointed out that there are now "26" different statutory schemes affecting this question of the commercial rights to inventions and discoveries generated under government research grants and contracts. The fallacy of that argument can be seen by looking more carefully at some of those 26 specific arrangements established by statute. The fact is that each statutory enactment was rooted in specific events, specific cases or situations examined by the appropriate Congressional Committees. In each instance, the considered opinion of the Congress was that the results of the research being promoted in that case could best be preserved for the benefit of the public by the commercial licensing arrangement sanctioned at that time. Some of those Congressional determinations, moreover, are quite recent, such as the Federal Mine Safety and Health Act of 1977 and the Water Research and Development Act of 1978.

In my judgment, those statutes demonstrate that the case can be made for diversity rather than uniformity. It would appear more appropriate for the Judiciary Committee to have produced a bill which precisely assessed the arrangements in each of the 26 cases, in consultation with the Committees having jurisdiction in each of those areas, and to have produced a bill creating the best arrangement for each of those areas. Such a bill would not seek uniformity for its own sake, but would analytically design the best arrangement with regard to commercial use for each of the many areas in which the Federal government sponsors research. Such a bill might produce uniformity, but it might also reflect the fact that different cases sometimes deserve different treatments.

That observation leads to an additional compelling reason why this legislation should not be passed by this Congress at this time. I fully respect the extensive efforts of the Judiciary Committee. I am well aware of the hard work involved in holding numerous days of hearings

[page 25]

and in drafting a large piece of legislation. Nevertheless, I believe it can fairly be said that not all of the Committees whose jurisdictions would be significantly affected by this legislation have been adequately consulted. Their judgment and experience is vitally needed to assure that this bill's approach is indeed a sound one for all the diverse areas which it will affect, as its sponsors take great pride in pointing out.

For that reason, I urge my colleagues to opt for further consideration of this measure. I specifically urge that all Committee Chairmen whose substantive jurisdictions will be affected by the impact of this bill on government-sponsored research in their areas be given adequate time to assess this bill and to consult with one another before the House takes action. I am aware that genuine consultation of this sort probably cannot be achieved in the waning hours of this Congress. If not, I believe the long-term implications of this measure are far too important to go forward at this time.

As with so many of our problems as a Nation, we did not get into this problem of lowering productivity and declining ingenuity overnight. It is a complex problem reflecting many developments over many years. There is thus no need to rush out a bill now without being

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certain that we are doing the right thing, based on the full and deliberate consultation among our colleagues with the greatest knowledge of the potential effects of this legislation.

TOBY MOFFETT.

U. S. CIVILIAN AND MILITARY PERSONNEL—CLAIMS FOR LOSSES

P.L. 96-519, see page 94 Stat. 3031

House Report (Judiciary Committee) No. 96-858, Mar. 27, 1980 [To accompany H.R. 6086]

Senate Report (Judiciary Committee) No. 96-882, Aug. 1, 1980 [To accompany H.R. 6086]

Cong. Record Vol. 126 (1980)

DATES OF CONSIDERATION AND PASSAGE

House April 21, October 2, 1980

Senate October 1, December 1, 1980

The House Report is set out.

HOUSE REPORT NO. 96-858

[page 1]

The Committee on the Judiciary, to whom was referred the bill (H.R. 6086) to provide for the settlement and payment of claims of civilian and military personnel against the United States for losses in connection with the evacuation of such personnel from a foreign country, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

* * * * * * * * * *

[page 2]

PURPOSE

The purpose of the proposed legislation, as amended, is to add a new section 9 to the Military Personnel and Civilian Employees' Claims Act of 1964. The new section would authorize the head of any agency to pay not more than $40,000 to compensate any member of the uniformed services or any civilian employee of that agncy for damage or loss of personal property in a foreign country suffered incident to that individual's service when the individual's damage or loss resulted from

either (1) an evacuation of United States personnel in response to political unrest or hostile acts in that country or from any such incident or hostile act, or (2) from acts of mob violence, terrorist attacks or other hostile acts, directed against the United States Government or its officers or employees.

STATEMENT

The amended bill would add a new section to the existing Military Personnel and Civilian Employees' Claims Act so as to provide added protection to those covered by the Act who are ordered to evacuate an area in a foreign country because of reasons creating imminent danger to their lives. The new authority would make it possible to compensate United States personnel for property lost, damaged or abandoned in such a situation when the appropriate Government official has authorized an evacuation, and the loss results from that evacuation or was caused by the incident or hostile action which prompted the evacuation. The amended bill would also provide authority to pay for loss or damage to property resulting from mob violence, terrorist attacks or other hostile acts directed against the United States or its personnel. The bill provides a ceiling of $40,000 on compensable claims to apply to a settlement for the depreciated value of the lost, damaged or abandoned personal property.

The bill provides an effective date of December 31, 1978 for the provisions of the new section and would apply to losses sustained by federal personnel evacuated from Iran in 1979, and in the violence in Pakistan in November of 1979, and in Libya in December of 1979, both of which also prompted evacuations.

The language of the amended bill would make it possible to compensate for losses resulting from mob violence. Mob violence was recently directed against the United States foreign service posts in Pakistan and Libya. While the violence in both of those instances prompted an evacuation, the State Department in testimony before the subcommittee pointed out that personnel might not be evacuated in all such instances. It was pointed out that such events might not lead to an evacuation because of political considerations or because a host government takes immediate steps to prevent recurrence of such incidents. The subcommittee amendment would provide the necessary authority to pay losses in such cases as well so that claims could be con-

[page 3]

sidered for settlement for United States personnel suffering such losses even though there was not an evacuation of personnel.

Since the losses suffered by United States personnel as the result of the Iranian evacuation first demonstrated the need for the authority provided in the bill H.R. 6086, the Committee requested that the State Department outline the events leading up to the evacuation of United States personnel from that Country. The key events supplied the Committee are as follows:

1978

November 5: Travel Advisory—Recommended postponement of all non-essential travel to Iran and advised American citizens to remain at home.

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Week Ending Friday, December 12, 1980

Situation in Poland

White House Statement. December 7, 1980

Preparations for possible Soviet intervention in Poland appear to have been completed. It is our hope that no such intervention will take place. The United States Government reiterates its statement of December 3, regarding the very adverse consequences for U.S.-Soviet relations of Soviet military intervention in Poland.

Kennedy Center Honors

Remarks at a White House Reception for the Honorees. December 7, 1980

Only Fritz Mondale can fully appreciate the gratification of defeated political candidates being associated with these famous and popular and successful people. [*Laughter*]

Tonight we come to the White House not just to honor five wonderful artists and the art that they represent, but we really come here to acknowledge the progress and the commitment to the arts and the famous and unfamous artists throughout our country. There's no doubt that there is an intensification of the interest of Americans in the arts, and there's a constant broadening of the number of Americans who are appreciative of and directly involved in the arts.

It's a very fine thing to have people throughout our country, in New York and Washington and also in Plains and other places between, who can observe and appreciate and also participate in the finer things of life. The number who go to concerts and to theaters, to museums, and who can appreciate the fine artists' performances on television are constantly growing. This is exemplified in some ways by the fact that in the last 4 years we've had a greater commitment from the Federal Government itself to the National Endowment for the Arts than in the previous 12 years. And I would like to point out hastily that this is not a particular achievement of me or my administration; it's an accurate representation, through the Congress, of the relative interest of the American people in this common commitment.

Only a very few people have lived in this home and served as President. It's a gratifying and exhilarating experience. But one of the finest aspects of it is not just being part of history but being able to participate in this room and on the South Lawn in the performances that have been very exciting to me and to Rosalynn as some of these and other famous Americans have come here to perform in such a superlative way. In our Sunday afternoon concerts, which have been broadcast afterward, through Public Broadcasting, to literally millions of people, and through the evening performances that have been so exciting for us all, Americans and famous foreign visitors, this has been one of the most important and also one of the most interesting and exciting elements of serving as President.

This evening I'm not going to repeat all of the words of praise and the acco-

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a constitutional conflict, individuals not so appointed should participate only in the Council's advisory activities.

The bill also raises certain constitutional questions about the authority of the Council to conduct litigation on its own behalf. While I believe the bill can be construed so as to avoid constitutional infringement, I have asked the Attorney General to study the matter and advise the Council regarding his conclusions.

Finally, the bill raises the question of whether Congress may, by concurrent resolution not presented to the President for his approval or disapproval, veto regulations issued by an executive agency. As I have noted on prior occasions, I oppose this legislative veto device, and pursuant to my message to Congress of June 21, 1978, I will treat these legislative vetoes as report-and-wait provisions.

This administration has actively supported legislation to protect our historical heritage, and I salute the Members of Congress—particularly Senator Bumpers and Congressman Seiberling—and the historic preservation organizations who have worked so diligently to secure the passage of this bill.

NOTE: As enacted, H.R. 5496 is Public Law 96–515, approved December 12.

Patent and Trademark System Reform

Statement on Signing H.R. 6933 Into Law. December 12, 1980

I have today signed H.R. 6933, a bill which makes several major reforms in the patent and trademark system.

One of my administration's major concerns has been the role of industrial innovation in promoting this Nation's economic health. More than 2½ years ago, I initiated a review of industrial innovation to identify ways in which the Federal Government could improve the innovation process. We were assisted by hundreds of individuals from private industry, organized labor, the universities, and public interest groups.

As a result of these efforts, in October of 1979 I sent to the Congress an industrial innovation message proposing initiatives in nine critical areas relevant to innovation, including legislation to strengthen our patent system. I am pleased to sign this bill, which embodies many of my proposals.

We have already taken other steps to revitalize our patent system, including the application of modern methods of management and computer technology in the Patent and Trademark Office.

The legislation I am signing today does not eliminate all the problems we identified. It does not establish a comprehensive governmentwide policy for the allocation of rights in inventions made with Federal support. This legislation leaves in place the existing, often inconsistent array of statutory and nonstatutory patent policies governing individual agencies. Also left uncovered are large business contractors who perform more than 90 percent of the government's research and development work.

I am persuaded, however, that the present package of reforms goes far toward strengthening the effectiveness of the patent incentive in stimulating innovation in the United States.

The patent reexamination procedures established by this legislation constitute the most significant improvement in our patent laws in more than a century. Under these procedures, during the life of an issued patent any interested person—for

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example, a patent owner, a potential licensee, or a competitor—may obtain a prompt and relatively inexpensive reevaluation of its validity by the Patent and Trademark Office. Patent reexamination will make it possible to focus extra attention on the most commercially significant patents. This legislation will improve the reliability of reexamined patents, thereby reducing the costs and uncertainties of testing patent validity in the courts. The provisions of this legislation will result in less cost to the public for patent reexamination.

This legislation also authorizes the Commissioner of Patents and Trademarks to set fees at levels that recover a greater portion of the Office's operating costs. A new system of fees for maintaining patents in force will further shift some of the burden of supporting the patent system away from the public to the commercial users of inventions. This feature will be helpful to small businesses and individual inventors by keeping initial patent fees low.

In the area of Government patent policy, this legislation enables small businesses and nonprofit organizations to obtain title to inventions made with Federal support. I hope that this measure will benefit the public in some measure by making the fruits of federally supported research and development more widely available. While I regret that it was not possible to enact comprehensive legislation, I am pleased with the progress we have made.

The enactment of this legislation promises some real benefits to the Nation's economic health by stimulating our people's innovative activity. It now becomes the responsibility of the Government and industry to work together to realize that promise.

NOTE: As enacted, H.R. 6933 is Public Law 96–517, approved December 12.

Earthquake in Southern Italy

Statement on Signing H.R. 8388 Into Law. December 12, 1980

I am today signing legislation that will enable the United States to provide $50 million in assistance to the unfortunate victims of the earthquakes that have devastated southern Italy.

This disaster—the worst natural catastrophe in Western Europe in half a century—has killed more than 3,000 people and left more than 200,000 homeless. Whole villages have been wiped off the map. We in the United States are deeply sympathetic to the Italian people and their government in this time of great sorrow and great need.

The funds provided by this legislation will, I hope, provide some measure of immediate relief to the stricken area and help a courageous people to overcome the effects of disaster.

I know my feelings are shared by all Americans—whose spontaneous contributions to private voluntary agencies are already aiding in the relief efforts—in praying that the worst is now over and that the suffering of southern Italy will now give way to hope as the rebuilding process begins.

NOTE: As enacted, H.R. 8388 is Public Law 96–525, approved December 12.

National Science Foundation Authorization and Science and Technology Equal Opportunities Act

Statement on Signing S. 568 Into Law. December 12, 1980

I have today signed into law S. 568, which authorizes appropriations for the

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X re HR 6933

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96th CONGRESS

2nd SESSION 1980

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Generally, the appeals court reviewed cases from the courts of military review of the U.S. Army, Navy and Air Force. The Navy Court of Military Review handled cases from the Marine Corps. The military review courts heard specified cases from armed services' courts martial, which are similar to general civilian trial courts.

HR 8188 was reported Sept. 26 by the Armed Services Committee (H Rept 96-1412). As passed by the House, it:

- Authorized the Supreme Court to review, in its discretion, cases from the military appeals court.
- Increased the number of judges from three to five.
- Provided 15-year terms for each judge appointed by the president. Currently, judges appointed to fill vacancies served only the remainder of the term of the vacancy.
- Provided that no more than three judges be from the same political party, continuing a similar requirement from existing law.
- Transferred administrative functions from the Defense Department to the appeals court. ▮

Patent Law Amendments ✓

Congress cleared a bill (HR 6933) that revised existing policy on federally funded inventions and simplified procedures for handling certain patent disputes. President Carter signed it into law Dec. 12 (PL 96-517).

HR 6933 allowed small businesses, universities and non-profit organizations to retain title to patents resulting from federally funded research. Under existing law the patent generally went to the agency that provided money for the invention.

Final action on the measure came Nov. 21 when the House by voice vote accepted the Senate version of the bill. The Senate passed the bill Nov. 20 after adopting an amendment that limited the new patent policy to small businesses, universities and non-profit organizations.

The original House bill, passed under suspension Nov. 17, would have made the new patent policy applicable to large corporations as well as small businesses, and included provisions covering inventions developed by federal employees.

Earlier in the year the Senate had passed two bills (S 414 — S Rept 96-480; S 2446 — no written report filed) dealing with the same issues as HR 6933. In addition, the Senate Judiciary Committee had reported another bill (S 1679 — S Rept 96-617) dealing with procedures for handling patent challenges.

As reported by the House Judiciary Committee Sept. 9 (H Rept 96-1307, Part I), HR 6933 had also included provisions making the U.S. Patent and Trademark Office an independent agency. But those sections were stricken by the Government Operations Committee when it reported the bill Sept. 23 (H Rept 96-1307, Part II). Existing law put the office in the Commerce Department.

Provisions

As cleared by Congress, HR 6933:

- Authorized the Patent and Trademark Office to re-examine patents that were challenged on either of two grounds: that a similar patent already existed or that the patent was based on technical material that already had been published.

Under existing law there was no re-examination of patents. Patents could be challenged only through a lawsuit claiming a patent infringement or seeking a judgment declaring the patent invalid. HR 6933 did not change this procedure and these types of disputes still would have to be resolved in court.

- Allowed any person to seek re-examination of a patent; required that a fee be paid by the person seeking the re-examination. The fee was to be set by the patent office.
- Required the patent office to send a copy of the re-examination request to the patent owner, if the owner were not the one seeking the re-examination.
- Required the commissioner of patents to determine within three months whether a substantial new question of patentability existed on the patent in question; made final and unappealable the commissioner's decision that no new question of patentability existed.
- Gave a patent owner at least two months to respond to a patent office decision that a re-examination should take place.
- Allowed the patent owner to appeal any adverse decision.
- Redefined the authority of the patent office to set fees for obtaining patents, allowing the commissioner to set fees as long as they represented the actual costs of processing and maintaining patents.
- Gave small businesses, universities and non-profit organizations the right to retain patents on federally funded inventions. The organization would have to advise the government of its decision to retain the patent within a "reasonable time" after the invention was disclosed. Exceptions to permit government ownership of the patent would be allowed in certain circumstances, including cases where the government determined that its ownership was necessary for intelligence activities.
- Defined "small business" to include firms defined under the Small Business Act (PL 85-536) and implementing regulations of the Small Business Administration; defined university and non-profit organization to include those fitting the definitions in the Internal Revenue Code or any state law covering such institutions.
- Gave the government certain rights over any patented invention created with federal funds, including the right to require reports on the use of a patented invention and the right of the government to use the invention anywhere in the world, royalty-free.
- Provided that inventors' reports required by the government be treated as confidential and not subject to requests for disclosure under the Freedom of Information Act.
- Provided copyright protection for computer programs. ▮

National Guard Torts

The Senate passed a bill (S 1858 — S Rept 96-791) by voice vote May 30 to bring National Guard members and medical personnel under the coverage of the Federal Tort Claims Act (PL 79-601).

It had been reported by the Judiciary Committee on May 22. In the House, it was referred jointly to the Judiciary and Armed Services committees, but there was no further action on the legislation.

First adopted in 1946, the Tort Claims Act made the United States liable for injuries caused by government employees who acted wrongfully while performing federally authorized duties. There was no limit on the amount of recovery under the act.

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CONGRESSIONAL QUARTERLY

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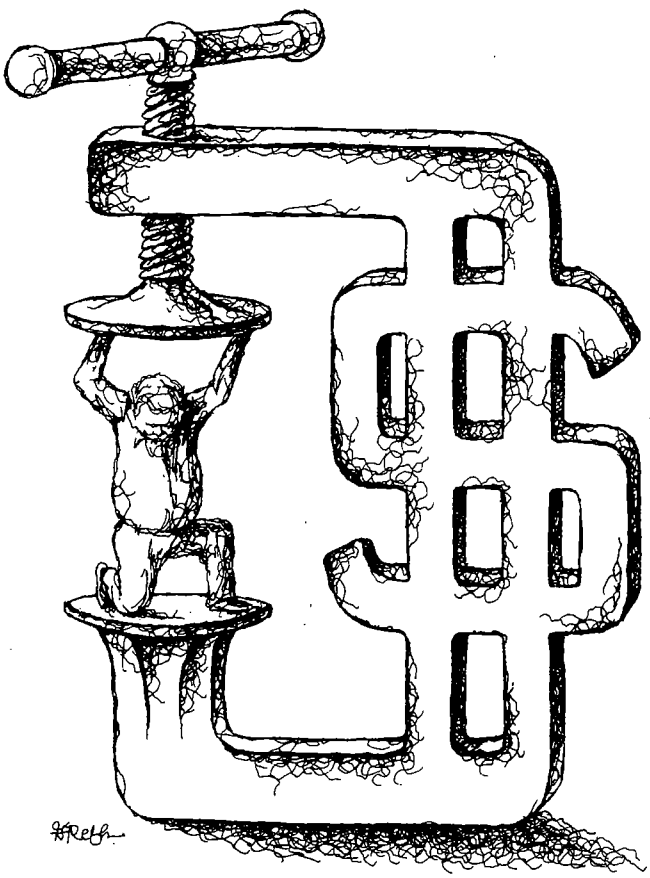
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Carter's Election Year Economics

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Earlier Senate Action:

Bill to Give Patent Office Independent Agency Status Passed by House Judiciary

The House Judiciary Committee has approved a wide-ranging patent reform bill (HR 6933) that would, among other things, make the U.S. Patent and Trademark Office an independent agency.

The patent office currently is under the Department of Commerce.

HR 6933 was ordered reported Aug. 20 by voice vote.

As originally considered by the committee, there were no provisions for making the patent office independent. But the committee adopted 15-13 an amendment by Tom Railsback, R-Ill., to give the office independent agency status.

In explaining his amendment, Railsback said an independent patent office would be more effective and efficient than the current arrangement.

"The problem is communication and understanding," Railsback said. "If the patent office were independent, the lines of communication with the Office of Management and Budget and Congress would be direct. Every single piece of information emanating from the patent office would no longer be filtered, delayed and altered through the Department of Commerce."

HR 6933 also contained other major provisions to revise the system for setting trademark fees, and to spell out a uniform policy on the rights of inventors to commercialize inventions developed through federally supported research projects.

Senate Bills

The Senate has passed two bills (S 414; S 2446) that cover some of the issues addressed in HR 6933. A third bill (S 2079) that would create an independent patent office, is pending in the Senate Governmental Affairs Committee.

S 414, which passed the Senate April 23, would establish a policy allowing small businesses, universities and non-profit organizations to keep the patents on their federally-funded inventions. *(Details, Weekly Report p. 1179)*

While the House bill includes provisions covering patent policy for small businesses and non-profit organizations involved in federal research projects, its coverage is somewhat broader than S 414. HR 6933 also would set a policy for other inventors using federal funds in their research and, in addition, would cover the patent rights to inventions by federal employees.

S 2446, which passed the Senate March 20, would establish procedures similar to those in HR 6933 for handling certain patent disputes. *(S 2446 passage, Weekly Report p. 864)*

Under both bills, the patent office would be authorized to re-examine patents that were challenged on either of two grounds — that a similar patent already existed or that the patent was based on technical material that already had been published.

The party challenging the patent and seeking the re-examination would, under both bills, pay a fee for the re-examination.

Provisions

In addition to establishing an independent patent office and a new patent review system, HR 6933 contained the following other major provisions that:

- Allowed small businesses and non-profit organizations to retain the patents on federally funded inventions after meeting specified requirements.
- Allowed federal fund recipients not connected to a small business or non-profit organization to receive exclusive licenses to market a patented invention under specified circumstances.
- Gave the government certain rights over any patented invention created with federal funds, including the right to require reports on the use of a patented invention, the right of the government, worldwide and royalty-free, to use any invention, and the right to license or sublicense state and local governments to use the invention, if such use were in the national interest.
- Established procedures for allocating the rights to patents created by federal employees. ■

Billy Carter Probe

A special Senate Judiciary subcommittee investigating Billy Carter's dealings with Libya will resume public hearings Sept. 4-5. Hearings the week of Aug. 25 were canceled to give the subcommittee time to study previous testimony.

Witnesses are expected to be officials from the Justice Department, which negotiated an agreement with the president's brother to obtain his registration July 14 as a foreign agent representing Libya.

In exchange for Billy Carter's registration, the department agreed not to pursue civil or criminal actions against him. The subcommittee will hold a closed executive session on Sept. 3. *(Registration, Weekly Report p. 2082)*

Grand Jury

After testifying for two days before the panel Aug. 21-22, Billy Carter answered questions Aug. 26 before a federal grand jury in New York that is investigating Libyan efforts to obtain C-130 military transport planes from the United States.

The planes have not been delivered because of Libyan backing for terrorist activities. *(Prior subcommittee action, Weekly Report p. 2454)*

In a related matter, the Senate adopted a resolution (S Res 513) Aug. 27 giving the Judiciary Committee $197,000 to cover costs associated with the special subcommittee's investigation. Approval came on a voice vote.

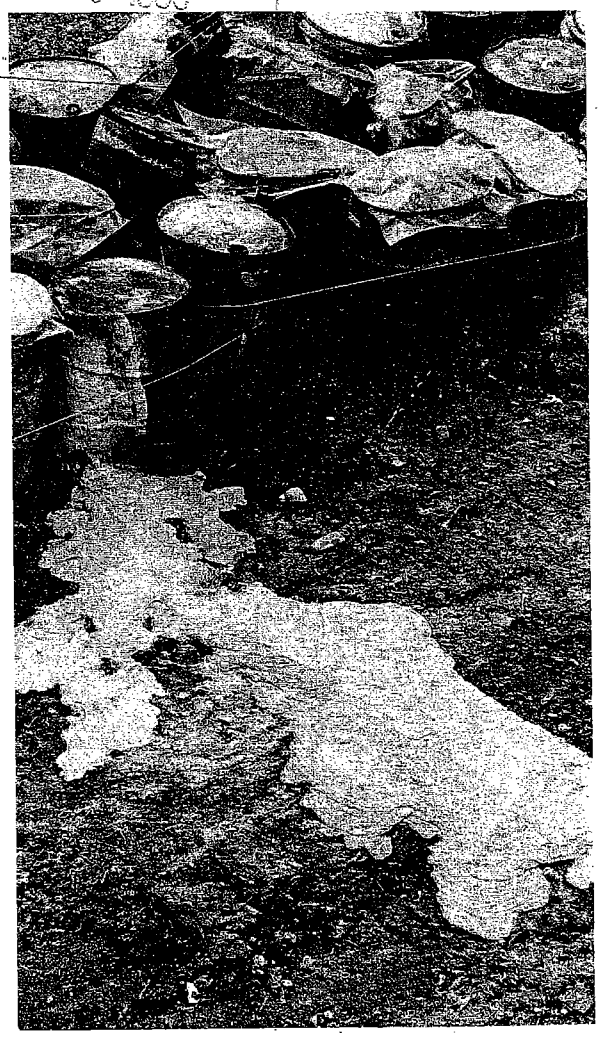
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'Superfund' Compromise
(3435)

Public Employee Lobbying
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Patent Bill Clears; Lets Inventors Have Patent Even If Work Federally Funded

Congress has cleared a patent reform bill that revises existing policy on federally funded inventions and simplifies procedures for handling certain patent disputes.

The bill (HR 6933) allows small businesses, universities and non-profit organizations to retain title to patents resulting from federally funded research. Under existing law the patent generally went to the agency that provided money for the invention.

Final action on the measure came Nov. 21 when the House by voice vote accepted the Senate version of the bill. The Senate passed the bill Nov. 20 after adopting an amendment that limited the new patent policy to small businesses, universities and non-profit organizations.

Earlier in the year the Senate had passed two bills (S 414, S 2446) dealing with the same issues as HR 6933. *(Weekly Report pp. 1179, 864)*

The original House bill, passed Nov. 17, would have made the new patent policy applicable to large corporations as well as small businesses, and included provisions covering inventions developed by federal employees.

As reported by the House Judiciary Committee (H Rept. 96-1307, Part I), it also included provisions making the U.S. Patent and Trademark Office an independent agency. But those sections were stricken by the Government Operations Committee when it reported the bill Sept. 23. The office is now in the Commerce Department. *(Judiciary Committee action, Weekly Report p. 2599)*

Provisions

As cleared by Congress, HR 6933:

- Authorized the Patent and Trademark Office to re-examine patents that were challenged on either of two grounds: that a similar patent already existed or that the patent was based on technical material that already had been published.

Under existing law there is no re-examination of patents. Patents can be challenged only through a lawsuit claiming a patent infringement or seeking a judgment declaring the patent invalid. HR 6933 did not change this procedure, and these types of disputes still would have to be resolved in court.

- Allowed any person to seek re-examination of a patent; required that a fee be paid by the person seeking the re-examination. The fee would be set by the patent office.
- Required the patent office to send a copy of the re-examination request to the patent owner, if the owner were not the one seeking the re-examination.
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- Allowed patent owners to appeal any adverse ruling.
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- Gave small businesses, universities and non-profit organizations the right to retain patents on federally funded inventions. The organization would have to advise the government of its decision to retain the patent within a "reasonable time" after the invention was disclosed. Exceptions to permit government ownership of the patent would be allowed in certain circumstances, including cases where the government determined that its ownership was necessary for intelligence activities.
- Defined "small business" to include firms defined under the Small Business Act (PL 85-536) and implementing regulations of the Small Business Administration; defined university and non-profit organization to include those fitting the definitions in the Internal Revenue Code or any state law covering such institutions.
- Gave the government certain rights over any patented invention created with federal funds, including the right to require reports on the use of a patented invention and the right of the government to use the invention anywhere in the world, royalty-free.
- Provided that inventors' reports required by the government be treated as confidential and not subject to requests for disclosure under the Freedom of Information Act.
- Provided copyright protection for computer programs. ▮

Breyer Nomination Stalled

Procedural snafus compounded by political resentment stalled Senate action Nov. 25 on the judicial nomination of a top aide to Sen. Edward M. Kennedy, D-Mass.

Stephen G. Breyer, a Harvard University law professor and chief counsel of the Senate Judiciary Committee under Kennedy, was nominated by President Carter Nov. 13 to be a judge of the U.S. Court of Appeals for the First Circuit. In exchange for Republican support for Breyer, Kennedy agreed not to push 17 other Carter judicial nominations pending in the committee. The committee approved Breyer's nomination Nov. 17 by written poll.

The nomination came to the floor Nov. 25, but some senators objected that it had not been properly reported. Normally, committee approval through polling is acceptable if no panel member objects, but Senate staffers said any senator has the right to object.

After a series of procedural votes that delayed action, the nomination was sent back to the committee. *(Votes 470-473, pp. 3472, 3473)*

The committee met the evening of Nov. 25 and approved Breyer by a 12-0 vote. His nomination is expected to be considered the week of Dec. 5, when it will probably still face opposition.

Among those challenging the nomination were Robert Morgan, D-N.C., who had one judicial candidate rejected by the committee in March and another among the nominations shelved this month. *(Morgan nominee rejected, Weekly Report p. 674)*

Gordon J. Humphrey, R-N.H., also opposed the nomination. Breyer's judgeship is in the judicial circuit that includes New Hampshire, and Humphrey hoped to keep the seat open until Ronald Reagan became president and could make the appointment.

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KASTENMEIER, Robert William, (1924 -)

KASTENMEIER, Robert William, a Representative from Wisconsin; born in Beaver Dam, Dodge County, Wis., January 24, 1924; attended the public schools of Beaver Dam; Carleton College, Northfield, Minn.; University of Wisconsin, LL.B., 1952; was admitted to the bar the same year and commenced the practice of law in Watertown, Wis.; entered the United States Army as a private in February 1943; served in the Philippines and was discharged as a first lieutenant on August 15, 1946; War Department branch office director, claims service, in the Philippines 1946-1948; elected justice of the peace for Jefferson and Dodge Counties in 1955 and served until 1959; elected as a Democrat to the Eighty-sixth and to the fifteen succeeding Congresses (January 3, 1959-January 3, 1991); one of the managers appointed by the House of Representatives in 1986 to conduct the impeachment proceedings against Harry E. Claiborne, judge of the United States District Court for Nevada; unsuccessful candidate for reelection to the One Hundred Second Congress in 1990; is a resident of Sun Prairie, Wis.

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96TH CONGRESS
1ST SESSION

S. 414

To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 9 (legislative day, JANUUARY 15), 1979

Mr. BAYH (for himself, and Mr. DOLE, Mr. BELLMON, Mr. DECONCINI, Mr. GARN, Mr. HATFIELD, Mr. HATCH, Mr. LUGAR, Mr. MATHIAS, Mr. MATSUNAGA, Mr. MCGOVERN, Mr. METZENBAUM, Mr. SCHMITT, and Mr. THURMOND) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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A BILL

To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; 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 Patent Procedures Act".

II—E

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SEC. 2. AMENDMENT OF TITLE 35, UNITED STATES CODE, PATENTS.—Title 35 of the United States Code is amended by adding after chapter 17, a new chapter as follows:

"CHAPTER 18.—PATENTABILITY OF INVENTIONS MADE WITH FEDERAL ASSISTANCE

"Sec.
"200. Policy and objective.
"201. Definitions.
"202. Disposition of rights.
"203. March-in rights.
"204. Return of Government investment.
"205. Preference for United States industry.
"206. Confidentially.
"207. Uniform clauses.
"208. Domestic and foreign protection of federally owned inventions.
"209. Regulations governing Federal licensing.
"210. Coordination of Federal licensing practices.
"211. Restrictions on licensing of federally owned inventions.
"212. Precedence of chapter.
"213. Relationship to antitrust laws.

"SEC. 200. POLICY AND OBJECTIVE.—It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry

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and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"SEC. 201. DEFINITIONS.—As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

"(b) The term 'funding agreement' 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 of parties, or subcontract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement as herein defined.

"(c) The term 'contractor' means any person that is a party to funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

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"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(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 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.

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

"(h) The term 'small business firm' means a small business concern as defined at section 2 of Public Law 85–536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

"(i) 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

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501(a) of the Internal Revenue Code (26 U.S.C. 501(a)).

"SEC. 202. DISPOSITION OF RIGHTS.—(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however,* That a funding agreement may provide otherwise (i) when the subject invention is made under a contract for the operation of a Government-owned research or production facility, or (ii) 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 this chapter. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the Comptroller General of the United States within thirty days after the award of the applicable funding agreement. 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.

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"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's policies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred twenty days of what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.

"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

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"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and 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 time.

"(3) A requirement that a contractor electing rights file patent applications 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, nontransferable, irrevocable, paid-up license to practice or have practiced for or one behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign government pursuant to 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 in-

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formation may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under the Freedom of Information Act.

"(6) 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.

"(7) In the case of a nonprofit organization (a) a prohibition upon the assignment of rights to a subject 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 or does not have a substantial proprietary interest in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor) (b) a prohibition against the granting of exclusive licenses under

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United States Patents or Patent Applications in a subject invention by the contractor 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. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use; (c) a requirement that the contractor share royalties with the inventor; and (d) 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 inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203, 204, and 205 of this chapter.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor sub-

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ject to the provisions of this Act and regulations promulgated hereunder.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

"SEC. 203. MARCH-IN RIGHTS.—With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the subject inventor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines either—

"(a) that such action is necessary because the contractor or assignee has not taken, or is not ex-

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pected to take within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use; or

"(b) that such action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees; or

"(c) that such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) that such action is necessary because the agreement required by section 205 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 205.

"SEC. 204. RETURN OF GOVERNMENT INVESTMENT.—(a) If a nonprofit organization or small business firm receives $250,000 in after tax profits from the licensing of any subject invention within a period of ten years following disclosure of the invention, the United States shall be entitled to a share, to be negotiated, of up to 50 per centum of all net income during said period from licensing received by the contractor above $250,000: *Provided, however,* That in no event shall the United States be entitled to an amount greater than

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that portion of the Federal funding under the funding agreement under which the subject invention was made which was expended on activities related to the making of the invention.

"(b) In addition, if a nonprofit organization or small business firm receives after tax profits in excess of $2,000,000 on sales of products embodying or manufactured by a process employing a subject invention, during a period of ten years commencing with commercial exploitation of the 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 funding agreement under which the invention was made which was expended on activities related to the making of the invention less any amounts received by the Government in accordance with paragraph (a) of this section 204.

"(c) The Director of the Office of Federal Procurement Policy is authorized and directed to revise the figures of $250,000 and $2,000,000 in paragraphs (a) and (b) of this section at least every three years in light of changes to the Consumer Price Index or other indices which he considers reasonable to use.

"SEC. 205. PREFERENCE FOR UNITED STATES INDUSTRY.—Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which re-

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ceives title to any subject invention and no assignee of any such nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States.

"SEC. 206. CONFIDENTIALITY.—Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

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"SEC. 207. UNIFORM CLAUSES.—The Office of Federal Procurement Policy, after receiving recommendations of the Office of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies establishing standard funding agreement provisions required under this chapter.

"SEC. 208. DOMESTIC AND FOREIGN PROTECTION OF FEDERALLY OWNED INVENTIONS.—Each Federal agency is authorized to—

"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

"(2) promote the licensing of inventions covered by federally owned patent applications, patents, or other forms of protection obtained with the objective of maximizing utilization by the public of the inventions covered thereby;

"(3) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the

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provisions of chapter 28 of this title as determined appropriate in the public interest;

"(4) make market surveys and other investigations for determining the potential of federally owned inventions for domestic and foreign licensing and other forms of utilization, acquire technical information, and engage in negotiations and other activities for promoting the licensing and for the purpose of enhancing their marketability and public utilization;

"(5) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract;

"(6) transfer custody and administration, in whole or in part, to the Department of Commerce or to another Federal agency, of the right, title, or interest in any federally owned invention for the purpose of carrying out the provisions of paragraphs (1) through (4), without regard to the provisions of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471); and

"(7) designate the Department of Commerce as recipient of any or all funds received from fees, royalties, or other management of federally owned inventions authorized under this chapter.

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"SEC. 209. REGULATIONS GOVERNING FEDERAL LICENSING.—The Administrator of General Services is authorized to promulgate regulations specifying the terms and conditions upon which any federally owned invention may be licensed on a nonexclusive, partially exclusive, or exclusive basis.

"SEC. 210. COORDINATION OF FEDERAL LICENSING PRACTICES.—The Secretary of Commerce is authorized in cooperation with other Federal agencies to—

"(1) coordinate a program for assisting all Federal agencies in carrying out the authority set forth in section 208;

"(2) publish notification of all federally owned inventions that are available for licensing;

"(3) evaluate inventions referred by Federal agencies, and patent applications filed thereon, in order to identify those inventions with the greatest commercial potential and to insure promotion and utilization by the public of inventions so identified;

"(4) assist the Federal agencies in seeking and maintaining protection on inventions in the United States and in foreign countries, including the payment of fees and costs connected therewith;

"(5) accept custody and administration, in whole or in part, of the right, title, and interest in any inven-

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tion for the purposes set forth in paragraphs (1) through (4, of section 208, with the approval of the Federal agency concerned and without regard to the provisions of the Federal Property and Administrative Service Act of 1949 (40 U.S.C. 471);

"(6) receive funds from fees, royalties, or other management of federally owned inventions authorized under this chapter, but such fund shall be used only for the purposes of this chapter; and

"(7) undertake such other functions directly or through such contracts as are necessary and appropriate to accomplish the purposes of this title.

"SEC. 211. RESTRICTIONS ON LICENSING OF FEDERALLY OWNED INVENTIONS.—(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the license has supplied the agency with a plan for development and/or marketing of the invention.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a fed-

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erally owned domestic patent or patent application only if, after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the invention to practical application or otherwise promote the invention's utilization by the public; and

"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend

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substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small business firms submitting plans that are determined by the agency to be within the capabilities of the firms and as likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

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"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: *Provided,* That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under the Freedom of Information Act;

"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that the licensee is not executing the plan submitted with its request for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal Agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in

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breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

"SEC. 212. PRECEDENCE OF ACT.—(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, 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 U.S.C. 427i(a); 60 Stat. 1085);

"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Coal Mine Health and Safety Act of 1969 (30 U.S.C. 951(c); 83 Stat. 742);

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1935(c); 80 Stat. 721);

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"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

"(11) subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. 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 U.S.C. 5901; 88 Stat. 1878);

"(14) section 3 of the Act of June 22, 1976 (42 U.S.C. 1959d, note; 90 Stat. 694);

"(15) subsection (d) of section 6 of the Saline Water Conversion Act of 1971 (42 U.S.C. 1959(d); 85 Stat. 161);

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"(16) section 303 of the Water Resources Research Act of 1964 (42 U.S.C. 1961c–3; 78 Stat. 332);

"(17) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 88 Stat. 1211);

"(18) section 3 of the Act of April 5, 1944 (30 U.S.C. 323; 58 Stat. 191); and

"(19) section 8001 of the Solid Waste Disposal Act (42 U.S.C. 6981; 90 Stat. 2829).

The Act creating this chapter shall 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.

"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the distribution of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued by the President on August

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23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to agree to allow such persons to retain ownership of such inventions.

"SEC. 213. RELATIONSHIP TO ANTITRUST LAWS.—Nothing in this chapter 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.".

SEC. 3. AMENDMENTS TO OTHER ACTS.—The following Acts are amended as follows:

(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".

(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).

(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and (i); 88 Stat. 1889–1891).

SEC. 4. EFFECTIVE DATE.—This Act shall take effect one hundred and eighty days after the date of its enactment, except that the regulations referred to in section 2, or other implementing regulations, may be issued prior to that time.

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Calendar No. 515

96TH CONGRESS
1ST SESSION

S. 414

[Report No. 96-480]

To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 9 (legislative day, JANUARY 15), 1979

Mr. BAYH (for himself, Mr. DOLE, Mr. BELLMON, Mr. DECONCINI, Mr. GARN, Mr. HATFIELD, Mr. HATCH, Mr. LUGAR, Mr. MATHIAS, Mr. MATSUNAGA, Mr. MCGOVERN, Mr. METZENBAUM, Mr. SCHMITT, Mr. THURMOND, Mr. COCHRAN, Mr. MOYNIHAN, Mr. INOUYE, Mr. HUDDLESTON, Mr. CHAFEE, Mr. EXON, Mr. ZORINSKY, Mr. LEAHY, Mr. EAGLETON, Mr. GRAVEL, Mr. BURDICK, Mr. DOMENICI, Mr. MAGNUSON, Mr. TSONGAS, Mr. DURKIN, Mr. HOLLINGS, Mr. NELSON, Mr. NUNN, and Mr. FORD) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

DECEMBER 12 (legislative day, NOVEMBER 29), 1979

Reported by Mr. BAYH, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

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A BILL

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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 Patent Procedures Act".~~

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promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"SEC. 201. DEFINITIONS.—As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

"(b) The term 'funding agreement' 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

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Government. Such term 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 herein defined.

"(e) The term 'contractor' means any person that is a party to funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(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 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.

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

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"(h) The term 'small business firm' means a small business concern as defined at section 2 of Public Law 85–536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

"(i) 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)).

"SEC. 202. DISPOSITION OF RIGHTS.—(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however,* That a funding agreement may provide otherwise (i) when the subject invention is made under a contract for the operation of a Government-owned research or production facility, or (ii) 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 this chapter. The rights of the nonprofit organization or small business firm shall be

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~~subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.~~

~~"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the Comptroller General of the United States within thirty days after the award of the applicable funding agreement. 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.~~

~~"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's policies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred twenty days of what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.~~

~~"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and~~

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on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and 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 time.

"(3) A requirement that a contractor electing rights file patent applications 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

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a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or one behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign government pursuant to 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 and confidential and not subject to disclosure under the Freedom of Information Act.

"(6) 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.

"(7) In the case of a nonprofit organization, (a) a prohibition upon the assignment of rights to a subject

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 or does not have a substantial proprietary interest in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor) (b) a prohibition against the granting of exclusive licenses under United States Patents or Patent Applications in a subject invention by the contractor 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. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use; (c) a requirement that the contractor share royalties with the inventor; and (d) a requirement that the balance of any royalties or income earned by the contractor with respect to subject inven-

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tions, after payment of expenses (including payments to inventors) incidental to the administration of subject inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203, 204, and 205 of this chapter.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provisions of this Act and regulations promulgated hereunder.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

"SEC. 203. MARCH-IN RIGHTS.—With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated

hereunder to require the subject inventor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines either—

"(a) that such action is necessary because the contractor or assignee 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; or

"(b) that such action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees; or

"(c) that such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) that such action is necessary because the agreement required by section 205 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United

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hereunder to require the subject inventor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines either—

"(a) that such action is necessary because the contractor or assignee 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; or

"(b) that such action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees; or

"(c) that such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) that such action is necessary because the agreement required by section 205 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United

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States is in breach of its agreement obtained pursuant to section 205.

"SEC. 204. RETURN OR GOVERNMENT INVESTMENT.—(a) If a nonprofit organization or small business firm receives $250,000 in after tax profits from the licensing of any subject invention within a period of ten years following disclosure of the invention, the United States shall be entitled to a share, to be negotiated, of up to 50 per centum of all net income during said period from licensing received by the contractor above $250,000: *Provided, however,* That in no event shall the United States be entitled to an amount greater than that portion of the Federal funding under the funding agreement under which the subject invention was made which was expended on activities related to the making of the invention.

"(b) In addition, if a nonprofit organization or small business firm receives after tax profits in excess of $2,000,000 on sales of products embodying or manufactured by a process employing a subject invention, during a period of ten years commencing with commercial exploitation of the 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 funding agreement under which the invention was made which was expended on activities related to the making of the invention less any amounts re-

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ceived by the Government in accordance with paragraph (a) of this section 204.

"(c) The Director of the Office of Federal Procurement Policy is authorized and directed to revise the figures of $250,000 and $2,000,000 in paragraphs (a) and (b) of this section at least every three years in light of changes to the Consumer Price Index or other indices which he considers reasonable to use.

"SEC. 205. PREFERENCE FOR UNITED STATES INDUSTRY. Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States.

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"SEC. 206. CONFIDENTIALITY.—Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

"SEC. 207. UNIFORM CLAUSES.—The Office of Federal Procurement Policy, after receiving recommendations of the Office of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies establishing standard funding agreement provisions required under this chapter.

"SEC. 208. DOMESTIC AND FOREIGN PROTECTION OF FEDERALLY OWNED INVENTIONS.—Each Federal agency is authorized to—

"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

"(2) promote the licensing of inventions covered by federally owned patent applications, patents, or

other forms of protection obtained with the objective of maximizing utilization by the public of the inventions covered thereby;

"(3) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the provisions of chapter 28 of this title as determined appropriate in the public interest;

"(4) make market surveys and other investigations for determining the potential of federally owned inventions for domestic and foreign licensing and other forms of utilization, acquire technical information, and engage in negotiations and other activities for promoting the licensing and for the purpose of enhancing their marketability and public utilization;

"(5) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract;

"(6) transfer custody and administration, in whole or in part, to the Department of Commerce or to another Federal agency, of the right, title, or interest in

any federally owned invention for the purpose of carrying out the provisions of paragraphs (1) through (4), without regard to the provisions of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471); and

"(7) designate the Department of Commerce as recipient of any or all funds received from fees, royalties, or other management of federally owned inventions authorized under this chapter.

"SEC. 209. REGULATIONS GOVERNING FEDERAL LICENSING.—The Administrator of General Services is authorized to promulgate regulations specifying the terms and conditions upon which any federally owned invention may be licensed on a nonexclusive, partially exclusive, or exclusive basis.

"SEC. 210. COORDINATION OF FEDERAL LICENSING PRACTICES.—The Secretary of Commerce is authorized in cooperation with other Federal agencies to—

"(1) coordinate a program for assisting all Federal agencies in carrying out the authority set forth in section 208;

"(2) publish notification of all federally owned inventions that are available for licensing;

"(3) evaluate inventions referred by Federal agencies, and patent applications filed thereon, in order to

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identify those inventions with the greatest commercial potential and to insure promotion and utilization by the public of inventions so identified;

"(4) assist the Federal agencies in seeking and maintaining protection on inventions in the United States and in foreign countries, including the payment of fees and costs connected therewith;

"(5) accept custody and administration, in whole or in part, of the right, title, and interest in any invention for the purposes set forth in paragraphs (1) through (4) of section 208, with the approval of the Federal agency concerned and without regard to the provisions of the Federal Property and Administrative Service Act of 1949 (40 U.S.C. 471);

"(6) receive funds from fees, royalties, or other management of federally owned inventions authorized under this chapter, but such fund shall be used only for the purposes of this chapter; and

"(7) undertake such other functions directly or through such contracts as are necessary and appropriate to accomplish the purposes of this title.

"SEC. 211. RESTRICTIONS ON LICENSING OF FEDERALLY OWNED INVENTIONS.—(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the

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license has supplied the agency with a plan for development and/or marketing of the invention.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a federally owned domestic patent or patent application only if, after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the

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invention to practical application or otherwise promote the invention's utilization by the public; and

"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small business firms submitting plans that are determined by the agency to be within the capabilities of the firms and as likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant

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exclusive or partially exclusive licenses in any invention covered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: *Provided,* That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under the Freedom of Information Act;

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"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that the licensee is not executing the plan submitted with its request for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal Agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

"SEC. 212. PRECEDENCE OF ACT.—(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, including but not necessarily limited to the following:

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"(1) section 10(a) of the Act of June 20, 1935, as added by title 1 of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085);

"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Coal Mine Health and Safety Act of 1969 (30 U.S.C. 951(c); 83 Stat. 742);

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1935(c); 80 Stat. 721);

"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

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"(11) subsection (c) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(c); 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 U.S.C. 5901; 88 Stat. 1878);

"(14) section 3 of the Act of June 22, 1976 (42 U.S.C. 1959d, note; 90 Stat. 694);

"(15) subsection (d) of section 6 of the Saline Water Conversion Act of 1971 (42 U.S.C. 1959(d); 85 Stat. 161);

"(16) section 303 of the Water Resources Research Act of 1964 (42 U.S.C. 1961c-3; 78 Stat. 332);

"(17) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 88 Stat. 1211);

"(18) section 3 of the Act of April 5, 1944 (30 U.S.C. 323; 58 Stat. 191); and

"(19) section 8001 of the Solid Waste Disposal Act (42 U.S.C. 6981; 90 Stat. 2820).

The Act creating this chapter shall be construed to take precedence over any future Act unless that Act specifically cites

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this Act and provides that it shall take precedence over this Act.

"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the distribution of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued by the President on August 23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to agree to allow such persons to retain ownership of such inventions.

"SEC. 213. RELATIONSHIP TO ANTITRUST LAWS.—Nothing in this chapter 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.".

SEC. 3. AMENDMENTS TO OTHER ACTS.—The following Acts are amended as follows:

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~~(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".~~

~~(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).~~

~~(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and (i); 88 Stat. 1889–1891).~~

~~SEC. 4. EFFECTIVE DATE.—This Act shall take effect one hundred and eighty days after the date of its enactment, except that the regulations referred to in section 2, or other implementing regulations, may be issued prior to that time.~~

That this Act may be cited as the "University and Small Business Patent Procedures Act".

SEC. 2. (a) AMENDMENT OF TITLE 35, UNITED STATES CODE, PATENTS.—Title 35 of the United States Code is amended by adding after chapter 17, a new chapter as follows:

"CHAPTER 18.—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

"Sec.
"200. Policy and objective.
"201. Definitions.
"202. Disposition of rights.
"203. March-in rights.
"204. Return of Government investment.
"205. Preference for United States industry.

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"206. Confidentiality.
"207. Uniform clauses and regulations.
"208. Domestic and foreign protection of federally owned inventions.
"209. Regulations governing Federal licensing.
"210. Restrictions on licensing of federally owned inventions.
"211. Precedence of chapter.
"212. Relationship to antitrust laws.

"§ 200. Policy and objective

"It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"§ 201. Definitions

"As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United

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States Code, and the military departments as defined by section 102 of title 5, United States Code.

"(b) The term 'funding agreement' 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 of parties, or subcontract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement as herein defined.

"(c) The term 'contractor' means any person that is a party to a funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(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 method, or to operate in the case of a machine or system; and, in each

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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.

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

"(h) The term 'small business firm' means a small business concern as defined at section 2 of Public Law 85–536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

"(i) 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)).

"§ 202. Disposition of rights

"(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: Provided, however, That a funding agreement may provide otherwise (i) when the funding agreement

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is for the operation of a Government-owned research or production facility, (ii) 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 this chapter or (iii) 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 of such activities. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the Comptroller General of the United States within thirty days after the award of the applicable funding agreement. 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.

"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's poli-

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cies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred twenty days of what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.

"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and that the Federal

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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 time.

"(3) A requirement that a contractor electing rights file patent applications 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, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign government or international organization pursuant to 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

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a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(6) 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.

"(7) In the case of a nonprofit organization, (a) a prohibition upon the assignment of rights to a subject 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 or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor) (b) a prohibition against the granting of exclusive licenses under United States Patents or Patent

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Applications in a subject invention by the contractor to persons other than small business firms 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. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use, and a first commercial sale or use with respect to a product of the invention shall not be deemed to end the exclusive period to different subsequent products covered by the invention; (c) a requirement that the contractor share royalties with the inventor; and (d) 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 inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203, 204, and 205 of this chapter.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal

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agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provisions of this Act and regulations promulgated hereunder.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

"(f)(1) No funding agreement with a small business firm or nonprofit organization shall 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 head of the agency and a written justification has been signed by the head of the agency. Any such provision shall 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 head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph.

"(2) A Federal agency shall not require the licensing of third parties under any such provision unless the head of the

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agency 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 the practical application of the subject invention or work object. Any such determination shall be on the record after an opportunity for an agency hearing. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

"§ 203. March-in rights

"With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—

"(a) action is necessary because the contractor or assignee has not taken, or is not expected to take with-

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in a reasonable time, effective steps to achieve practical application of the subject invention in such field of use;

"(b) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;

"(c) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) action is necessary because the agreement required by section 205 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 205.

"§ 204. Return of Government investment

"(a) If after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business firm, or an assignee of a subject invention of such an organization or firm to whom such invention was assigned for licensing purposes, receives $70,000 in gross income for any one calendar year from the licensing of a subject invention or several related subject inventions, the United States shall be entitled to 15 per centum of all income in excess of

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$70,000 for that year other than any such excess income received under nonexclusive licenses (except where the nonexclusive licensee previously held an exclusive or partially exclusive license).

"(b)(1) Subject to the provisions of paragraph (2), if after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business firm, or an assignee of a subject invention of such an organization or firm, receives gross income of $1,000,000 for any one calendar year on sales of its products embodying or manufactured by a process imploying one or more subject inventions, the United States shall be entitled to a share, the amount of which to be negotiated but not to exceed 5 per centum, of all gross income in excess of $1,000,000 for that year accruing from such sales.

"(2) In no event shall the United States be entitled to an amount greater than that portion of the Federal funding under the funding agreement or agreements under which the subject invention or inventions was or were made expended on activities related to the making of the invention or inventions less any amounts received by the United States under subsection (a) of this section. In any case in which more than one subject invention is involved, no expenditure funded by the United States shall be counted more than once in deter-

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mining the maximum amount to which the United States is entitled.

"(c) The Director of the Office of Federal Procurement Policy is authorized and directed to revise the dollar amounts in subsections (a) and (b) of this section at least every three years in light of changes to the Consumer Price Index or other indices which the Director considers reasonable to use.

"(d) The entitlement of the United States under subsections (a) and (b) shall cease after (i) the United States Patent and Trademark Office issues a final rejection of the patent application covering the subject invention, (ii) the patent covering the subject invention expires, or (iii) the completion of litigation (including appeals) in which such a patent is finally found to be invalid.

"§ 205. Preference for United States industry

"Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement

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may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

"§ 206. Confidentiality

"Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

"§ 207. Uniform clauses and regulations

"The Office of Federal Procurement Policy, after receiving recommendations of the Office of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies implementing the provisions of sections 202 through 205 of this chapter and the Office of

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Federal Procurement Policy shall establish standard funding agreement provisions required under this chapter.

"§ 208. Domestic and foreign protection of federally owned inventions

"Each Federal agency is authorized to—

"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

"(2) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the provisions of chapter 29 of this title as determined appropriate in the public interest;

"(3) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract; and

"(4) transfer custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in any federally owned invention.

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"§ 209. Regulations governing Federal licensing

"The Administrator of General Services is authorized to promulgate regulations specifying the terms and conditions upon which any federally owned invention may be licensed on a nonexclusive, partially exclusive, or exclusive basis.

"§ 210. Restrictions on licensing of federally owned inventions

"(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the license has supplied the agency with a plan for development and/or marketing of the invention, except that any such plan may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a federally owned domestic patent or patent application only if,

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after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the invention to practical application or otherwise promote the invention's utilization by the public; and

"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend

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substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small business firms submitting plans that are determined by the agency to be within the capabilities of the firms and equally likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the United States in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with antitrust laws.

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"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: Provided, That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code;

"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that the licensee is not executing the plan submitted with its request for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal Agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in

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breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

"§ 211. Precedence of chapter

"(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, 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 U.S.C. 427i(a); 60 Stat. 1085);

"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742);

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c); 80 Stat. 721);

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"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

"(11) subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5);

"(12) section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878);

"(13) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 86 Stat. 1211);

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

"(15) section 8001(c)(3) of the Solid Waste Disposal Act (42 U.S.C. 6981(c); 90 Stat. 2829);

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"(16) section 219 of the Foreign Assistance Act of 1961 (22 U.S.C. 2179; 83 Stat. 806);

"(17) section 427(b) of the Federal Mine Health and Safety Act of 1977 (30 U.S.C. 937(b)); 86 Stat. 155);

"(18) section 306(d) of the Surface Mining and Reclamation Act of 1977 (30 U.S.C. 1226(d); 91 Stat. 455);

"(19) section 21(d) of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2218(d); 88 Stat. 1548);

"(20) section 6(b) of the Solar Photovoltaic Energy Research Development and Demonstration Act of 1978 (42 U.S.C. 5585(b); 92 Stat. 2516);

"(21) section 12 of the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178(j); 92 Stat. 2533); and

"(22) section 408 of the Water Resources and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1360).

The Act creating this chapter shall 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.

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"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the distribution of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued by the President on August 23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to agree to allow such persons to retain ownership of such inventions.

"(d) Nothing in this chapter shall be construed to require the disclosure of intelligence sources or methods or to otherwise affect the authority granted to the Director of Central Intelligence by statute or Executive order for the protection of intelligence sources or methods.

"§ 212. Relationship to antitrust laws

"Nothing in this chapter 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.".

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(b) The table of chapters for title 35, United States Code, is amended by adding immediately after the item relating to chapter 17 the following:

"18. Patent rights in inventions made with Federal assistance.".

SEC. 3. AMENDMENTS TO OTHER ACTS.—The following Acts are amended as follows:

(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".

(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).

(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and (i); 88 Stat. 1889–1891).

SEC. 4. EFFECTIVE DATE.—This Act and the amendments made by this Act, shall take effect one hundred and eighty days after the date of its enactment, except that the regulations referred to in section 2, or other implementing regulations, may be issued prior to that time.

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Calendar No. 515

96TH CONGRESS
1ST SESSION

S. 414

[Report No. 96-480]

A BILL

To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes.

FEBRUARY 9 (legislative day, JANUARY 15), 1979

Read twice and referred to the Committee on the Judiciary

DECEMBER 12 (legislative day, NOVEMBER 29), 1979

Reported with an amendment

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AMENDMENT NO. 1652

Calendar No. 515

Purpose: To amend section 200 relating to the policies and objectives of chapter 18.

IN THE SENATE OF THE UNITED STATES—96th Cong., 2d Sess.

S. 414

To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes.

February 6 (legislative day, January 3), 1980

Ordered to be printed

AMENDMENT proposed by Mr. LONG

Viz:

On page 26, beginning on line 2, strike out "to use the patent system to promote the utilization of inventions arising from federally supported research or development;".

On page 26, beginning on line 15, strike out "and protect the public against nonuse or unreasonable use of inventions".

Amendment No. 1652

S. 414

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96TH CONGRESS
2D SESSION

S. 414

IN THE HOUSE OF REPRESENTATIVES

APRIL 24, 1980

Referred to the Committee on the Judiciary

AN ACT

To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; 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 Patent Procedures Act".

SEC. 2. (a) AMENDMENT OF TITLE 35, UNITED STATES CODE, PATENTS.—Title 35 of the United States Code is amended by adding after chapter 17, a new chapter as follows:

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"CHAPTER 18.—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

"Sec.
"200. Policy and objective.
"201. Definitions.
"202. Disposition of rights.
"203. March-in rights.
"204. Return of Government investment.
"205. Preference for United States industry.
"206. Confidentiality.
"207. Uniform clauses and regulations.
"208. Domestic and foreign protection of federally owned inventions.
"209. Regulations governing Federal licensing.
"210. Restrictions on licensing of federally owned inventions.
"211. Precedence of chapter.
"212. Relationship to antitrust laws.

"§ 200. Policy and objective

"It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the

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public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"§ 201. Definitions

"As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

"(b) 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. Such term 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 herein defined.

"(c) The term 'contractor' means any person, small business firm, or nonprofit organization that is a party to a funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

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"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(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 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.

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

"(h) The term 'small business firm' means a small business concern as defined at section 2 of Public Law 85–536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

"(i) 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

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501(a) of the Internal Revenue Code (26 U.S.C. 501(a)).

"§ 202. Disposition of rights

"(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however,* That a funding agreement may provide otherwise (i) when the funding agreement is for the operation of a Government-owned research or production facility, (ii) 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 this chapter or (iii) 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 of such activities. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the

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Comptroller General of the United States within thirty days after the award of the applicable funding agreement. 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.

"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's policies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred and twenty days of what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.

"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on the Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

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"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and 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 time.

"(3) A requirement that a contractor electing rights file patent applications 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, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign govern-

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ment or international organization pursuant to 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 and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(6) 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.

"(7) In the case of a nonprofit organization, (A) a prohibition upon the assignment of rights to a subject 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

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which is not, itself, engaged in or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor); (B) a prohibition against the granting of exclusive licenses under United States Patents or Patent Applications in a subject invention by the contractor to persons other than small business firms 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. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use, and a first commercial sale or use with respect to a product of the invention shall not be deemed to end the exclusive period to different subsequent products covered by the invention; (C) a requirement that the contractor share royalties with the inventor; and (D) a requirement that the balance of any royalties or income

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earned by the contractor with respect to subject inventions, after payment of expenses (including payments to inventors) incidental to the administration of subject inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203, 204, and 205 of this chapter.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provisions of this Act and regulations promulgated hereunder.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

"(f)(1) No funding agreement with a small business firm or nonprofit organization shall 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 head

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of the agency and a written justification has been signed by the head of the agency. Any such provision shall 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 head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph.

"(2) A Federal agency shall not require the licensing of third parties under any such provision unless the head of the agency 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 the practical application of the subject invention or work object. Any such determination shall be on the record after an opportunity for an agency hearing. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

"§ 203. March-in rights

"With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor,

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an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—

"(a) action is necessary because the contractor or assignee 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;

"(b) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;

"(c) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) action is necessary because the agreement required by section 205 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 205.

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"§ 204. Return of Government investment

"(a) If after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business firm, or an assignee of a subject invention of such an organization or firm to whom such invention was assigned for licensing purposes, receives $70,000 in gross income for any one calendar year from the licensing of a subject invention or several related subject inventions, the United States shall be entitled to 15 per centum of all income in excess of $70,000 for that year other than any such excess income received under nonexclusive licenses (except where the nonexclusive licensee previously held an exclusive or partially exclusive license).

"(b)(1) Subject to the provisions of paragraph (2), if after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business firm, or an assignee of a subject invention of such an organization or firm, receives gross income of $1,000,000 for any one calendar year on sales of its products embodying or manufactured by a process imploying one or more subject inventions, the United States shall be entitled to a share, the amount of which to be negotiated but not to exceed 5 per centum, of all gross income in excess of $1,000,000 for that year accruing from such sales.

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"(2) In no event shall the United States be entitled to an amount greater than that portion of the Federal funding under the funding agreement or agreements under which the subject invention or inventions was or were made expended on activities related to the making of the invention or inventions less any amounts received by the United States under subsection (a) of this section. In any case in which more than one subject invention is involved, no expenditure funded by the United States shall be counted more than once in determining the maximum amount to which the United States is entitled.

"(c) The Director of the Office of Federal Procurement Policy is authorized and directed to revise the dollar amounts in subsections (a) and (b) of this section at least every three years in light of changes to the Consumer Price Index or other indices which the Director considers reasonable to use.

"(d) The entitlement of the United States under subsections (a) and (b) shall cease after (i) the United States Patent and Trademark Office issues a final rejection of the patent application covering the subject invention, (ii) the patent covering the subject invention expires, or (iii) the completion of litigation (including appeals) in which such a patent is finally found to be invalid.

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"§ 205. Preference for United States industry

"Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

"§ 206. Confidentiality

"Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed.

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Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

"§ 207. Uniform clauses and regulations

"The Office of Federal Procurement Policy, after receiving recommendations of the Office of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies implementing the provisions of sections 202 through 205 of this chapter and the Office of Federal Procurement Policy shall establish standard funding agreement provisions required under this chapter.

"§ 208. Domestic and foreign protection of federally owned inventions

"Each Federal agency is authorized to—

"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

"(2) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the

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provisions of chapter 29 of this title as determined appropriate in the public interest;

"(3) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract; and

"(4) transfer custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in any federally owned invention.

"§ 209. Regulations governing Federal licensing

"The Administrator of General Services is authorized to promulgate regulations specifying the terms and conditions upon which any federally owned invention, other than inventions owned by the Tennessee Valley Authority, may be licensed on a nonexclusive, partially exclusive, or exclusive basis.

"§ 210. Restrictions on licensing of federally owned inventions

"(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the license has supplied the agency with a plan for development and/or marketing of the invention, except that any such plan may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not

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subject to disclosure under section 552 of title 5 of the United States Code.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a federally owned domestic patent or patent application only if, after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the

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invention to practical application or otherwise promote the invention's utilization by the public; and

"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small business firms submitting plans that are determined by the agency to be within the capabilities of the firms and equally likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant exclusive or partially exclusive licenses in any invention cov-

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ered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the United States in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with antitrust laws.

"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: *Provided,* That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code;

"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that

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the licensee is not executing the plan submitted with its request for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

"§ 211. Precedence of chapter

"(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, including but not necessarily limited to the following:

"(1) section 10(a) of the Act of June 29, 1935, as added by title I of the Act of August 14, 1946 (7 U.S.C. 427i(a); 60 Stat. 1085);

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"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742);

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c); 80 Stat. 721);

"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

"(11) subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5);

"(12) section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878);

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"(13) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 86 Stat. 1211);

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

"(15) section 8001(c)(3) of the Solid Waste Disposal Act (42 U.S.C. 6981(c); 90 Stat. 2829);

"(16) section 219 of the Foreign Assistance Act of 1961 (22 U.S.C. 2179; 83 Stat. 806);

"(17) section 427(b) of the Federal Mine Health and Safety Act of 1977 (30 U.S.C. 937(b); 86 Stat. 155);

"(18) section 306(d) of the Surface Mining and Reclamation Act of 1977 (30 U.S.C. 1226(d); 91 Stat. 455);

"(19) section 21(d) of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2218(d); 88 Stat. 1548);

"(20) section 6(b) of the Solar Photovoltaic Energy Research Development and Demonstration Act of 1978 (42 U.S.C. 5585(b); 92 Stat. 2516);

"(21) section 12 of the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178(j); 92 Stat. 2533); and

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"(22) section 408 of the Water Resources and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1360).

The Act creating this chapter shall 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.

"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the distribution of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued by the President on August 23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to agree to allow such persons to retain ownership of such inventions.

"(d) Nothing in this chapter shall be construed to require the disclosure of intelligence sources or methods or to

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otherwise affect the authority granted to the Director of Central Intelligence by statute or Executive order for the protection of intelligence sources or methods.

"§ 212. Relationship to antitrust laws

"Nothing in this chapter 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.".

(b) The table of chapters for title 35, United States Code, is amended by adding immediately after the item relating to chapter 17 the following:

"18. Patent rights in inventions made with Federal assistance.".

SEC. 3. AMENDMENTS TO OTHER ACTS.—The following Acts are amended as follows:

(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".

(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).

(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and (i); 88 Stat. 1889–1891).

SEC. 4. EFFECTIVE DATE.—This Act and the amendments made by this Act, shall take effect one hundred and

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eighty days after the date of its enactment, except that the regulations referred to in section 2, or other implementing regulations, may be issued prior to that time.

Passed the Senate April 23 (legislative day, January 3), 1980.

Attest: J. S. KIMMITT,

Secretary.

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(The Senate adjourned sine die Dec. 20, 1979)

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or ncome derived by a theatrical production organization, and to provide for capital gain treatment for sales by authors of first theatrical production rights and the initial subsequent sale of ancillary rights.

Mr. Moynihan; Committee on Finance, 2140.

S. 398—To amend section 8e of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, to subject imported tomatoes to restrictions comparable to those applicable to domestic tomatoes.

Mr. Chiles, Mr. Stone, and Mr. Bumpers; Committee on Agriculture, Nutrition, and Forestry, 2140.

S. 399—To amend the Federal Crop Insurance Act.

Mr. Dole, Mr. Pressler, Mr. Stewart, Mrs. Kassebaum, and Mr. Hayakawa; Committee on Agriculture, Nutrition, and Forestry, 2140.—Cosponsors added, 7491.

S. 400—To relieve the liability for the repayment of certain erroneously made contributions by the United States.

Mr. Schweiker; Committee on the Judiciary, 2140.—Cosponsors added, 4668.—Reported with amendment (S. Rept. 96-215), 14855.—Amended and passed Senate, 15848.—Referred to Committee on the Judiciary, 16479.

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Mr. Moynihan; Committee on Finance, 2140.

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S. 403—For the relief of Anita Tavares Dy.

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Mr. Riegle; Committee on the Judiciary, 2140.—Reported (S. Rept. 96-381), 30115.—Passed Senate, 31176.—Referred to Committee on the Judiciary, 31420.

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S. 408—For the relief of Yasmeen Muredali Gillani and Aneela Gillani

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S. 409—For the relief of Muradali P. Gillani.

Mr. Helms; Committee on the Judiciary, 2140.

S. 410—Amending title 5 of the United States Code to improve agency rulemaking by expanding the opportunities for public participation, by creating procedures for congressional review of agency rules, and by expanding judicial review, and for other purposes.

Mr. Bayh; Committee on Governmental Affairs, 2140.

S. 411—To improve the protections afforded the public against risks associated with the transportation of hazardous commodities by pipeline.

Mr. Cannon; Committee on Commerce, Science, and Transportation, 2396.—Reported with amendment (S. Rept. 96-182), 11587.—Amended and passed Senate, 13197.—Amended and passed House (in lieu of H.R. 51), 25048.—Title amended, 25053.—Senate concurs in House amendment with an amendment, 32328.—House concurs in Senate amendment, 32753.—Examined and signed, 33217, 33376.—Presented to the President, 33376.—Approved [Public Law 96-129], 34318.

S. 412—To amend the Internal Revenue Code of 1954 to provide a reduction in the taxes imposed on the transportation of persons and property by air.

Mr. Cannon; Committee on Finance, 2396.

S. 413—To provide assistance to airport operators to prepare and carry out noise compatibility programs, to provide assistance to assure continued safety in aviation, to provide assistance to aircraft operators to aid them in complying with noise standards, and for other purposes.

Mr. Cannon, Mr. Inouye, Mr. Exon, and Mr. Goldwater; Committee on Commerce, Science, and Transportation, 2396.—Reported with amendment (S. Rept. 96-52), 6734.—Debated, 7886, 7891, 7910, 9163, 9166, 9175.—Amended and passed Senate, 9181.

S. 414—To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes.

Mr. Bayh, Mr. Dole, Mr. Bellmon, Mr. Cochran, Mr. DeConcini, Mr. Garn, Mr. Hatch, Mr. Hatfield, Mr. Lugar, Mr. Mathias, Mr. Matsunaga, Mr. McGovern, Mr. Metzenbaum, Mr. Schmitt, and Mr. Thurmond; Committee on the Judiciary, 2396.—Cosponsors added, 2878, 3697, 3880, 4192, 4887, 5755, 6175, 6971, 10898, 11311, 12254, 23329, 27297, 29574.—Reported with amendment (S. Rept. 96-480), 35638.

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Mr. Pell; Committee on Commerce, Science, and Transportation, 2396.

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Mr. Hollings; Committee on Human Resources, 2396.

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Mr. Schmitt and Mr. Domenici; Committee on Finance, 2396.

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Mr. Williams, and Mr. Javits; Committee on Human Resources, 2396.—Cosponsors added, 4439.

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Mr. Inouye, Mr. Talmadge, Mr. Nunn, and Mr. Matsunaga; Committee on Finance, 2396.—Cosponsors added, 3880.

S. 422—To authorize reduced postage rates for certain mail matter sent to Members of Congress.

Mr. Inouye; Committee on Governmental Affairs, 2396.

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S. 424—To extend the period for duty-free entry of a 3.60 meter telescope and associated articles for the use of the Canada-France-Hawaii Telescope Project at Mauna Kea, Hawaii.

Mr. Matsunaga and Mr. Inouye; Committee on Finance, 2396

S. 425—To end the use of steel-jaw, leghold traps.

Mr. Williams and Mr. Pell; Committee on Environment and Public Works, 2396.—Cosponsors added, 6575.

S. 426—To name a certain Federal building in Huron, South Dakota, the Humbert H. Humphrey Building.

Mr. McGovern; Committee on Environment and Public Works, 2396.

S. 427—To require a health warning on the labels of bottles containing certain alcoholic beverages.

Mr. Thurmond; Committee on Commerce, Science, and Transportation, 2396.—Cosponsors added, 3697, 4668

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S. 353—To facilitate the development and implementation of monetary policy; to reduce and restructure reserve requirements; and to provide for the maintenance of reserves by member banks and other depository institutions in Earnings Participation Accounts at the Federal Reserve banks.

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S. 378—To authorize funds for the Robert A. Taft Institute of Government.

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S. 390—To expedite and reduce the cost of antitrust litigation, and for other purposes.

Committee discharged. Amended and passed House (in lieu of H.R. 4048), 14490.—House insisted on its amendments and asked for a conference. Conferees appointed, 14493.—Senate disagreed to House amendments and agreed to a conference. Conferees appointed, 15103.—Conference report submitted in the Senate and agreed to, 21679.—Conference report (H. Rept. 96-1234) submitted in the House and agreed to, 22123, 23624.—Examined and signed, 23728, 23912.—Presented to the President, 23913.—Approved [Public Law 96-349], 25288.

S. 414—To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes.

Cosponsors added, 1439, 1597, 1828, 2100, 2922, 5355.—Debated, 1793, 1991, 1993, 8737—Amendments, 1793, 1993, 2003, 2004, 2007, 2102, 3780, 8743, 8746.—Amended and passed Senate, 8746.—Referred to Committee on the Judiciary, 9099.

S. 423—To promote commerce by establishing a national goal for the development and maintenance of effective, fair, inexpensive, and expeditious mechanisms for the resolution of consumer controversies, and for other purposes.

Senate concurs in House amendment, 1265.—Examined and signed, 1438, 1589.—Presented to the President, 1589.—Approved [Public Law 96-190], 3105.

S. 425—To end the use of steel-jaw, leghold traps.

Cosponsors added, 4214.

S. 440—To revise and extend the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970.

Examined and signed, 7.—Presented to the President, 7.—Approved [Public Law 96-180], 37606 (1979).

S. 442—For the relief of Isaac N. Hulver of Kansas City, Missouri.

Reported (S. Rept. 96-579), 3213.—Passed Senate, 3755.—Referred to Committee on the Judiciary, 4363.—Reported (H. Rept. 96-1496), 31623.—Passed over, 31921.—Amended and passed House, 33465.—Senate concurs in House amendment, 33795.—Examined and signed, 34349, 34324.—Presented to the President, 34375.—Vetoed, 34375.

S. 444—For the relief of the Jewish Employment Vocational Service, Saint Louis, Mo.

Reported with amendment (S. Rept. 96-817), 15213.—Amended and passed Senate, 16737.—Referred to Committee on the Judiciary, 17417.—Reported (H. Rept. 96-1497), 31623.—Passed over, 31922.—Passed House, 32575.—Examined and signed, 32924, 33094.—Presented to the President, 33095.—Approved [Private Law 96-74], 34376.

S. 445—To reorganize Federal regulatory agencies to prevent excessive, duplicative, inflationary, and anti-competitive regulation, and to make regulation more effective and responsive to the public interest.

Cosponsors added, 1111.

S. 446—To amend title VII of the Civil Rights Act of 1964 to prohibit discrimination against individuals because they are handicapped, and for other purposes.

Cosponsors added, 6944, 7853.—Indefinitely postponed, 23907.

S. 453—For the relief of Joe L. Frazier of Elko, Nevada.

Reported with amendment (S. Rept. 96-877), 20437.—Amended and passed Senate, 21448.—Referred to Committee on the Judiciary, 21834.—Reported (H. Rept. 96-1498), 31623.—Passed over, 31922.—Passed House, 32575.—Examined and signed, 32924, 33094.—Presented to the President, 33095.—Approved [Private Law 96-75], 34376.

S. 496—To increase the appropriations ceiling for title I of the Colorado River Basin Salinity Control Act (the Act of June 24, 1974; 88 Stat. 266), and for other purposes.

Amended and passed House (in lieu of H.R. 2609), 2293.—Amendments, 2293, 2294.—Senate concurs in House amendment with an amendment, 16559.—Amendments, 22296.—House concurs in Senate amendment to House amendments, 22296.—Examined and signed, 23185, 23348.—Presented to the President, 23349.—Approved [Public Law 96-336], 25190.

S. 503—To amend the Privacy Act of 1974 to provide for the confidentiality of medical records, and for other purposes.

Reported with amendment (S. Rept. 96-935), 25075.

S. 506—To amend title VIII of the act commonly called the Civil Rights Act of 1968 to revise the procedures for the enforcement of fair housing, and for other purposes.

Cosponsors added, 487, 10657, 31822.—Reported with amendments (S. Rept. 96-919), 23351, 25298, 26088.

S. 517—To redesignate May 30 of each year as Memorial Day and to make such a day a legal public holiday.

Cosponsors added, 15728.

S. 525—To amend the Drug Abuse Office and Treatment Act of 1972, and for other purposes.

Examined and signed, 7.—Presented to the President, 7.—Approved [Public Law 96-181], 37606 (1979).

S. 535—To regulate commerce by providing for the safe transportation of nuclear waste and radioactive nuclear reactor fuel, and for other purposes.

Reported with amendment (S. Rept. 96-780), 11578.

S. 546—For the relief of Beatrice Braude.

Passed Senate, 1131.—Referred to Committee on the Judiciary, 1529.—Reported (H. Rept. 96-1494), 31623.—Passed over, 31921.

S. 551—For the relief of Fred W. Sloat of Salt Lake City, Utah.

Reported with amendment (S. Rept. 96-638), from Committee on the Judiciary, 5699.—Amended and passed Senate, 6130.—Referred to Committee on the Judiciary, 6254. Reported (H. Rept. 96-1489), 31623.—Passed over, 31921.—Passed House, 32574.—Examined and signed, 32924, 33094.—Presented to the President, 33095.—Approved [Private Law 96-89], 34376.

S. 562—To authorize appropriations to the Nuclear Regulatory Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and section 305 of the Energy Reorganization Act of 1974, as amended, and for other purposes.

Conference report (H. Rept. 96-1070) submitted in House and agreed to, 13201, 13836.—Conference report submitted in the Senate and agreed to, 14871.—Examined and signed, 14993, 15118.—Presented to the President, 15212.—Approved [Public Law 96-295], 18529.

S. 566—To authorize a targeted fiscal assistance program for payments to local governments requiring fiscal relief, an anti-recession fiscal assistance program, and for other purposes.

Committee discharged. Amended and passed House (in lieu of H.R. 5980) title amended, 1499.—House insisted on its amendments and asked for a conference. Conferees appointed, 1504.

S. 568—To promote the full use of human resources in science and technology through a comprehensive program to maximize the potential contribution and advancement of women in scientific, professional, and technical careers.

Reported with amendment (S. Rept. 96-713), 11389.—Cosponsors added, 11405.—Amendments, 14740, 14741, 16357, 16361, 16365.—Amended and passed Senate, 16357.—Amended and passed House (in lieu of H.R. 7115), 24302.—Title amended, 24307.—Senate disagreed to House amendments, and asked for a conference, 25094.—Conferees appointed, 25095.—House insisted on its amendments and agreed to a conference. Conferees appointed, 27410.—Conference report (H. Rept. 96-1474) submitted in the House and agreed to, 30516, 31538.—Conference report submitted in the Senate and agreed to, 30753.—Examined and signed, 31946, 31820.—Presented to the President, 31821.—Approved [Public Law 96-516], 34375.

S. 576—For the relief of Larry Grathwohl.

Reported with amendment (S. Rept. 96-811), 15119.—Amended and passed Senate, 16736.—Referred to Committee on the Judiciary, 17417.—Reported (H.

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UNITED STATES GOVERNMENT PRINTING OFFICE, WASHINGTON, 1980

SENATE—*Tuesday, February 5, 1980*

(Legislative day of Thursday, January 3, 1980)

The Senate met at 11 a.m., on the expiration of the recess, and was called to order by Hon. J. BENNETT JOHNSTON, a Senator from the State of Louisiana.

PRAYER

The Chaplain, the Reverend Edward L. R. Elson, D.D., offered the following prayer:

Be still and know that I am God. I am exalted among the nations, I am exalted in the earth.—Psalms 46: 10.

Almighty God, give us wisdom to perceive Thee, intellect to understand Thee, diligence to seek Thee, hearts to meditate upon Thee, and a life to proclaim Thee. And if in the stress of daily duty we forget Thee, do not forget us, but draw our wandering spirits back to Thy heart of love, and reinforce us by Thy strength. In Thy holy name we pray. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. MAGNUSON).

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., February 5, 1980.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable J. BENNETT JOHNSTON, a Senator from the State of Louisiana, to perform the duties of the Chair.

WARREN G. MAGNUSON,
President pro tempore.

Mr. JOHNSTON thereupon assumed the chair as Acting President pro tempore.

RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. Under the previous order, the majority leader is recognized.

HOUSING INDUSTRY DOWNTURN

Mr. ROBERT C. BYRD. Mr. President, like automobiles and steel, the housing industry has long been regarded as a bellwether of general economic trends. A major downturn in housing strains the entire economy, in part because the housing industry employs a wide range of skilled and unskilled labor. Many small businessmen—architects, homebuilders, tradesmen, suppliers, common carriers, and real estate agents—throughout the country earn their livelihood through the housing industry. Housing investments have a multiplier effect as people purchase appliances, furniture, and make a variety of improvements in their property.

The entire housing market has accounted for mortgage loans of more than $100 billion in each of the last several years. In 1978, the latest year with available figures, sales of new housing of $104 billion represented 5 percent of the gross national product. Resales of owner-occupied housing amounted to $216 billion. Since a majority of homes are financed with long-term mortgages, housing is one of the most sensitive U.S. industries to changes in the cost and availability of credit.

Housing forecasts for this year project a substantial decline in construction and sales. A major cause for the projected downturn is the Federal Reserve Board's decision last October to pursue a new policy of "tight money." The Fed's action to tighten credit has reduced both demand for and supply of mortgage financing for homes.

To some extent, the Fed's tight money plan is welcome "shock therapy" to break the psychology of inflationary expectations that has shaped Americans' decisions to invest in assets that they expect to appreciate. Today, many people are buying housing as an investment—believing that they cannot lose money—rather than as a shelter. Housing prices have escalated as a result of people trying to buy an investment safe from the effects of inflation. We can no longer afford to continue to buy homes at any interest rate, at any price, in the belief that such investments will automatically double or triple in value.

Families are being priced out of the market by a growing gap between housing costs and income gains. According to a recent report by the Bank of America, rising interest rates and rising home prices increased the average monthly payment on family homes by more than 20 percent last year. The cost of new housing under construction is greater than many people's ability to buy.

The Federal Reserve Board's policy of tightening credit and raising interest rates is bitter medicine to fight the inflation psychology that plagues the housing industry. The AFL-CIO has estimated that the Fed's action will result in the loss of 170,000 jobs and a $6 billion increase in new construction costs.

A housing slowdown, if it results in a moderation of inflation, could be good news for many consumers. However, a severe drop in construction would be damaging. The Government has taken some important steps to cushion the projected housing downturn by working to insure that an adequate flow of credit remains available for the industry. Following the Fed's action in October, the Federal Home Loan Bank lowered reserve requirements for its 4,000 member associations. Last month, the thrift institutions were allowed to increase the amount of money that they can borrow from "outside sources" such as commercial banks. In December, the President signed legislation passed by Congress to suspend through next March usury ceilings on home mortgages. In some 20 States, mortgage lending had almost ceased because State usury laws set limits on interest rates for mortgage loans that were not profitable.

Last session, the Senate passed banking deregulation legislation, H.R. 4986, by a vote of 76 to 9, which is now deadlocked in conference with the House. The Senate bill would provide for a gradual lifting of the ceiling on interest rates which are paid to small savers by depository institutions. Adoption of the legislation would result in an increase in savings at depository institutions and, therefore, help stabilize the primary source of mortgage money.

The housing industry collapsed during the 1974–75 recession. At that time, construction plunged suddenly from more than 2 million starts in 1973 to almost no starts for several months of 1974 before completing the year at almost 1.3 million new units. Since housing is among the largest industries in the country, its sudden collapse came as a major shock to the economy, and the resulting job losses aggravated the recession.

Last session, legislation was introduced in both Houses to revise and upgrade the Government's emergency authority to purchase mortgages should the housing industry begin to reach a crisis situation. This mortgage-subsidy program, known as the Brooke-Cranston program, was first used in 1974.

The Nation continues to require new and affordable housing, and Congress must work to see that this need is met. The Congress must work against housing costs as a cause of inflation, but at the same time not allow the housing industry to bear the brunt of anti-inflationary policies. We must continue to insure that an adequate flow of credit remains available to the housing industry.

Do I have any time remaining, Mr. President?

The ACTING PRESIDENT pro tempore. The Senator has just under 4 minutes.

Mr. ROBERT C. BYRD. I reserve that time.

RECOGNITION OF THE ACTING MINORITY LEADER

The ACTING PRESIDENT pro tempore. Under the previous order, the acting minority leader is recognized.

Mr. ROBERT C. BYRD. Mr. President, without prejudice to the distinguished acting minority leader, who wants to use

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

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budget is a study of the 3-year trend, from fiscal 1979, which ended last September 30, through fiscal 1981, which will end September 30 of next year.

In foreign economic aid, spending in 1979 was $4.7 billion. The President proposes $6.2 billion for 1981. This is an increase of 32 percent.

The administration's juggling has boosted fiscal year 1980 economic aid spending by more than $450 million over its earlier estimates, which has the effect of making the increase for 1981 over 1980 look smaller, but the truth about sharply escalating foreign aid giveaways emerges by looking at the 1979 to 1981 pattern—an increase of almost one-third in spending.

The administration also wants to eliminate certain pledges to the big international banks from the appropriations process. Thus, $1.1 billion in pledges to the development banks would simply disappear from the budget for 1981.

In another budgetary dodge, the administration produces an artificial $1.2 billion increase in 1980 spending—thus again reducing the increases for 1981—by slowing receipts in the military sales trust fund.

In the area of budget authority, we find that new commitments of spending for bilateral economic aid will rise by more than $500 million from 1980 to 1981, an increase of 23 percent.

The administration's foreign aid budget is deceitful. I urge the Committees on Budget, Foreign Relations, and Appropriations to examine it with great care.

The Congress must not be tricked into approving new billions for foreign aid at a time when continuing high inflation demands that we exercise restraint.

Mr. BAYH addressed the Chair.

Mr. ROBERT C. BYRD. Mr. President, will the Senator withhold for a moment?

Mr. BAYH. I am glad to.

Mr. ROBERT C. BYRD. This will allow me to put in a quorum call.

Mr. BAYH. Yes.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UNANIMOUS-CONSENT AGREEMENT—S. 414

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that with respect to the agreement on Calendar Order No. 515, S. 414, the patent bill, there be 2 hours equally divided on the Stevenson-Schmitt amendment extending the bill's uniform patent procedures to all who contract with the Federal Government; provided further, that the amendment not be called up until tomorrow; and ordered further, that there be no rollcall votes in relation to the bill, or amendments thereto, or motions in regard thereto, today.

Mr. STEVENS. Reserving the right to object, it is my understanding the balance of the previous unanimous-consent agreement remains in effect.

Mr. ROBERT C. BYRD. Yes. That is correct.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

UNIVERSITY AND SMALL BUSINESS PATENT PROCEDURES ACT

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of Calendar Order No. 515, S. 414.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill will be stated by title.

The legislative clerk read as follows:

A bill (S. 414) to amend title 35 of the United States Code, to establish a uniform Federal patent procedure for small businesses and nonprofit organizations, to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance, and for other purposes,

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on the Judiciary with an amendment to strike all after the enacting clause and insert the following:

That this Act may be cited as the "University and Small Business Patent Procedures Act".

SEC. 2. (a) AMENDMENT OF TITLE 35, UNITED STATES CODE, PATENTS.—Title 35 of the United States Code is amended by adding after chapter 17, a new chapter as follows:

"CHAPTER 18.—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

"Sec.
"200. Policy and objective.
"201. Definitions.
"202. Disposition of rights.
"203. March-in rights.
"204. Return of Government investment.
"205. Preference for United States industry.
"206. Confidentiality.
"207. Uniform clauses and regulations.
"208. Domestic and foreign protection of federally owned inventions.
"209. Regulations governing Federal licensing.
"210. Restrictions on licensing of federally owned inventions.
"211. Precedence of chapter.
"212. Relationship to antitrust laws.

"§ 200. Policy and objective

"It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse of unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"§ 201. Definitions

"As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of this title 5, United States Code.

"(b) The term 'funding agreement' 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 of parties, or subcontract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement as herein defined.

"(c) The term 'contractor' means any person that is a party to a funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(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 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.

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

"(h) The term 'small business firm' means a small business concern as defined at section 2 of Public Law 85–536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

"(i) 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)).

"§ 202. Disposition of rights

"(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however,* That a funding agreement may provide otherwise (i) when the funding agreement is for the operation of a Government-owned research or production facility, (ii) 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 this chapter or (iii) 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 of such activities. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in

writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the Comptroller General of the United States within thirty days after the award of the applicable funding agreement. 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.

"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's policies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred twenty days of what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.

"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on the Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and 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 time.

"(3) A requirement that a contractor electing rights file patent applications 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, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign government or international organization pursuant to 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 and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(6) 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.

"(7) In the case of a nonprofit organization, (a) a prohibition upon the assignment of rights to a subject 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 or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor) (b) a prohibition against the granting of exclusive licenses under United States Patents or Patent Applications in a subject invention by the contractor to persons other than small business firms 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. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use, and a first commercial sale or use with respect to a product of the invention shall not be deemed to end the exclusive period to different subsequent products covered by the invention; (c) a requirement that the contractor share royalties with the inventor; and (d) 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 inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203, 204, and 205 of this chapter.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provisions of this Act and regulations promulgated hereunder.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

"(f)(1) No funding agreement with a small business firm or nonprofit organization shall 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 head of the agency and a written justification has been signed by the head of the agency. Any such provision shall 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 head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph.

"(2) A Federal agency shall not require the licensing of third parties under any such provision unless the head of the agency 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 the practical application of the subject invention or work object. Any such determination shall be on the record after an opportunity for an agency hearing. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

"§ 203. March-in rights

"With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—

"(a) action is necessary because the contractor or assignee 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;

"(b) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;

"(c) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) action is necessary because the agreement required by section 205 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 205.

"§ 204. Return of Government investment

"(a) If after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business firm, or an assignee of a subject invention of such an organization or firm to whom such invention was assigned for licensing purposes, receives $70,000 in gross income for any one calendar year from the licensing of a subject invention or several related subject inventions, the United States shall be entitled to 15 per centum of all income in excess of $70,000 for that year other than any such excess income received under nonexclusive licenses (except where the nonexclusive licensee previously held an exclusive or partially exclusive license).

"(b)(1) Subject to the provisions of paragraph (2), if after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business firm, or an assignee of a subject invention of such an organization or firm, receives gross income of $1,000,000 for any one calendar year on sales of its products embodying or manufactured by a process employing one or more subject inventions, the United States shall be entitled to a share, the amount of which to be negotiated but not to exceed 5 per centum, of all gross income in excess of $1,000,000 for that year accruing from such sales.

"(2) In no event shall the United States be entitled to an amount greater than that portion of the Federal funding under the funding agreement or agreements under which the subject invention or inventions was or were made expended on activities related to the making of the invention or inventions less any amounts received by the United States under subsection (a) of this section. In any case in which more than one

subject invention is involved, no expenditure funded by the United States shall be counted more than once in determining the maximum amount to which the United States is entitled.

"(c) The Director of the Office of Federal Procurement Policy is authorized and directed to revise the dollar amounts in subsections (a) and (b) of this section at least every three years in light of changes to the Consumer Price Index or other indices which the Director considers reasonable to use.

"(d) The entitlement of the United States under subsections (a) and (b) shall cease after (i) the United States Patent and Trademark Office issues a final rejection of the patent application covering the subject invention, (ii) the patent covering the subject invention expires, or (iii) the completion of litigation (including appeals) in which such a patent is finally found to be invalid.

"§ 205. Preference for United States industry

"Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

"§ 206. Confidentiality

"Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

"§ 207. Uniform clauses and regulations

"The Office of Federal Procurement Policy, after receiving recommendations of the Office of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies implementing the provisions of sections 202 through 205 of this chapter and the Office of Federal Procurement Policy shall establish standard funding agreement provisions required under this chapter.

"§ 208. Domestic and foreign protection of federally owned inventions

"Each Federal agency is authorized to—

"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

"(2) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the provisions of chapter 29 of this title as determined appropriate in the public interest;

"(3) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract; and

"(4) transfer custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in any federally owned invention.

"§ 209. Regulations governing Federal licensing

"The Administrator of General Services is authoried to promulgate regulations specifying the terms and conditions upon which any federally owned invention may be licensed on a nonexclusive, partially exclusive, or exclusive basis.

"§ 210. Restrictions on licensing of federally owned inventions

"(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the license has supplied the agency with a plan for development and/or marketing of the invention, except that any such plan may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a federally owned domestic patent or patent application only if, after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the invention to practical application or otherwise promote the invention's utilization by the public; and

"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small business firms submitting plans that are determined by the agency to be within the capabilities of the firms and equally likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the United States in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with antitrust laws.

"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: *Provided*, That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code;

"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that the licensee is not executing the plan submitted with its request for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal Agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

"§ 211. Precedence of chapter

"(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, 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 U.S.C. 427l(a); 60 Stat. 1085);

"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742);

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c); 80 Stat. 721);

"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

"(11) subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5);

"(12) section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908; 88 Stat. 1878);

"(13) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 86 Stat. 1211);

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

"(15) section 8001(c)(3) of the Solid Waste Disposal Act (42 U.S.C. 6981(c); 90 Stat. 2829);

"(16) section 219 of the Foreign Assistance Act of 1961 (22 U.S.C. 2179, 83 Stat. 806);

"(17) section 427(b) of the Federal Mine Health and Safety Act of 1977 (30 U.S.C. 937(b)); 86 Stat. 185);

"(18) section 305(d) of the Surface Mining and Reclamation Act of 1977 (30 U.S.C. 1226(d); 91 Stat. 465);

"(19) section 2(d) of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2218(d); 88 Stat. 1548);

"(20) section 6(b) of the Solar Photovoltaic Energy Research Development and Demonstration Act of 1978 (42 U.S.C. 5585(b); 92 Stat. 2516)

"(21) section 12 of the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178(j); 92 Stat. 2533); and

"(22) section 408 of the Water Resources and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1360).

The Act creating this chapter shall 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.

"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the distribution of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued by the President on August 23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to agree to allow such persons to retain ownership of such inventions.

"(d) Nothing in this chapter shall be construed to require the disclosure of intelligence sources or methods or to otherwise affect the authority granted to the Director of Central Intelligence by statute or Executive order for the protection of intelligence sources or methods.

"§ 212. Relationship to antitrust laws

"Nothing in this chapter 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.".

(b) The table of chapters for title 35, United States Code, is amended by adding immediately after the item relating to chapter 17 the following:

"18. Patent rights in inventions made with Federal assistance.".

SEC. 3. AMENDMENTS TO OTHER ACTS.—The following Acts are amended as follows:

(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".

(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).

(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and (i); 88 Stat. 1889–1891).

SEC. 4. EFFECTIVE DATE.—This Act and the amendments made by this Act, shall take effect one hundred and eighty days after the date of its enactment, except that the regulations referred to in section 2, or other implementing regulations, may be issued prior to that time.

The PRESIDING OFFICER. This bill is being considered under a time agreement of 2 hours of time allotted on the bill.

Who yields time?

Mr. BAYH. Mr. President, I yield myself such time as I may need.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. BAYH. Mr. President, I am pleased to be the author, along with my colleague from Kansas (Mr. DOLE), of S. 414, the University and Small Business Patent Procedures Act. The bill is designed to cut through the bureaucratic redtape that is presently strangling too many promising inventions. I am pleased that 40 of our colleagues are now cosponsoring this important legislation. I trust that a strong majority of the Senate will lend their support to this measure when the vote is taken.

Mr. President, S. 414 addresses a serious and growing problem: Hundreds of valuable medical, energy, and other technological discoveries are sitting unused under Government control, because the Government, which sponsored the research that led to the discoveries, lacks the resources necessary for development and marketing purposes, yet is unwilling to relinquish patent rights that would encourage and stimulate private industry to develop discoveries into products available to the public.

The cost of product development exceeds the funds contributed by the Government toward the initial research by a factor of at least 10 to 1. This, together with the known failure rate for new products, makes the private development process an extremely risky venture, which industry is unwilling to undertake unless sufficient incentives are provided.

The problem is substantial in HEW, the Department of Defense, the Department of Agriculture, and the National Science Foundation. But nowhere is the patent situation more disturbing than in the biomedical research programs. Many people have been condemned to needless suffering because of the refusal of agencies to allow universities and small business sufficient rights to bring new drugs and medical instrumentation to the marketplace.

The bill that we are considering today strikes a careful balance, it seems to me, between the rights of the Federal Government to use for itself and the public good inventions arising out of research that the Federal Government helps to support, and the equally important rights of the inventor and the public to see that the inventions receive their full potential in the marketplace and reach the people they may benefit. This bill will allow universities, nonprofit organizations, and small businesses to obtain limited patent protection on discoveries they have made under Government-supported research, if they spend the additional private resources necessary to bring their discoveries to the public. Our experience has shown that unless inventors, universities, small businesses, and the private sector generally are given sufficient incentives to work together and bring inventions to the public, new technology is likely to languish.

This bill addresses part of a larger problem that I find very disturbing, namely, that America seems to be falling behind in technological innovation and inventiveness.

The Nation that used to pride itself in being way ahead of all others in developing the new mousetrap, the better idea, is now falling behind.

Evidence is mounting that we are falling farther and farther behind our international competition in a number of areas. Indications of the seriousness of this trend are:

The present U.S. importation of over $6 billion worth of manufactured goods (second only to our importation of foreign oil);

A U.S. productivity rate since 1967 of only 24 percent (which compares to rates of 105 percent for Japan, 54 percent for Italy and France, 39 percent for Canada, and even 25 percent for Great Britain;

The fact that 35 percent of all U.S. patents issued now go to foreigners;

And finally the fact that fewer and fewer inventions are being reported to the Government from our multibillion dollar research and development efforts.

There are, of course, a number of theories which have been offered to explain this situation. Some observers have cited the dropoff in Government supported research, the nature of the modern corporation, changes in lifestyle, the entrance into the work force of inexperienced workers, and overregulation of business by the Government. Others have said that this technological lag is merely a misperception, and that new technological developments are being made, but that they are of necessity not as exciting as the unprecedented technological breakthroughs that followed World War II.

I do not wish to speculate on these theories beyond saying that many of our prominent scientists, educational leaders and businessmen believe that this problem is a very real one, one in fact so serious that it strikes at the traditional heart of the American economy—our ability to adapt to a changing world.

Mr. President, this bill was reported out of the Judiciary Committee on November 20, 1979 unanimously. The recent White House Conference on Small

Business adopted the passage of S. 414 as one of its top recommendations to spur small business innovation. President Carter in his innovation statement of October 31, 1979 indicated his support for the concept of this bill.

Passage of S. 414 will be a good first step in addressing the innovation and productivity slump which is of so much concern to the Congress and to the American people.

Mr. President, I was privileged to preside over the hearings that were held by the Senate Judiciary Committee on S. 414, and I was very impressed by the abundance of evidence, from a broad cross-section of the American business community, in support of the proposed legislation.

I must confess that, not being an inventor, I was not aware of the bottleneck that the present patent policies create with respect to developing, and marketing new products and deliver them to the public. An idea that is thus frustrated and never gets out on the marketplace, is, for all intents and purposes, worthless so far as helping the American people are concerned.

I was amazed to find that we have some 28,000 patents that have been developed by public research, supported by the taxpayers, but nobody is commercializing those ideas, and getting them to the public, the people who paid for the research, because of the present Government patent policies.

We are concerned, of course, that the taxpayers who pay for the research, receive a return for the money they have invested. For that reason, there has been rather strong opposition to the general idea that we should change the patent policy and make it possible for those who develop ideas to be able to commercialize them. The rationale is that since the taxpayers supported the ideas, it would not be good to have the business sector making a profit at the expense of the taxpayer. However, I suggest that it is folly to think that a taxpayer is getting any benefit from the tax dollars invested in research if these ideas do not reach the marketplace.

So, we have important inventions such as potentially revolutionary treatments for cancer patients, that are never marketed because the Government insist on retaining title to them. These inventions must be allowed to benefit the American public.

There is a whole array of new ideas gathering dust because no one is willing to take a chance, to invest dollars to commercialize the idea, unless they know, in the best tradition of the free enterprise system, that, having taken a chance, they will be allowed to make a profit.

What we are doing here is to take an important first step in resolving this problem. I do not suggest that this is going to be a panacea for correcting all the problems of our present patent policy, just as I would be quick to say that this is not going to be a panacea for all the productivity problems we have. But I think it is an important first step.

So far as small businesses and universities are concerned, we are saying that if the Government research on which they are involved develops ideas that merit commercialization, it will be possible for them to do so, with the understanding that they have ownership of the ideas that they have developed. Thus, small businesses will be willing to invest their own money in the process of commercialization and distribution, to see that these ideas reach the public.

We have included an equally important provision that says that if these ideas are developed and if a small business or university is willing to invest its own resources in the commercialization process, and if the idea begins to make substantial returns, equity would require that the taxpayer be reimbursed. So we have a formula through which funds will be returned to the Government from these inventions that have a substantial success in the marketplaces.

It seems to me that we have the best of both worlds here. We have made it possible for small businesses and universities to take a chance, to move out into the marketplace with ideas, and to make the ideas available to the public generally.

On the other hand, we have said, "If you begin to make substantial money from these products, you should repay the taxpayer, who helped support the research in the first place."

Before we begin debating this, there will be those who ask some sincere questions about why we limit this to small businesses and universities. I think the Senator from Illinois (Mr. STEVENSON) and the Senator from New Mexico (Mr. SCHMITT) will have an amendment which would change S. 414 to encompass all research that is developed by large corporations, even multinational corporations, as well as that encompassed by the present confines of S. 414—namely, small businesses and universities.

I point out that we will debate this at greater length when the amendment is before us. I think we have very solid grounds to start with small businesses and universities, to walk with this new procedure before we run.

I believe it is important, first, to understand that if we consider the development of new jobs since World War II, it is remarkable to find out that most of them were created by our small businesses, not major corporations.

Second, if we look at where most of the new ideas have been developed, about half of the most important discoveries made since World War II have been developed by small businesses and universities, not by the major corporations.

Third, I think commonsense points out that the larger corporations are able to hire batteries of lawyers; and conduct their own research efforts much better than is possible for the small business.

Also, I should point out the disparity in this present awards of Government research. We had a number of highly qualified small business presidents represented in testimony before our committee; and I was amazed to find that although fully half of the new ideas developed since World War II have come from these kinds of companies, they only receive about 4 percent of all the Government research being conducted.

I could not understand until I talked with some of these businessmen how burdensome the present policies are on the small company struggling to compete against larger competitors. They are very concerned that if they become involved in any Government research, they will not only be denied access to title of any new ideas that are developed, but also, under the present procedure, they may lose all their background rights to ideas they presently have.

For that reason, many of the most sophisticated smaller businesses—that could make a significant contribution to our Government and to the public generally, avoid Government research like the plague.

They feel they have nothing to gain and everything to lose by such involvement.

So what I think S. 414 will do is to turn loose those small companies and allow them to develop their ideas, use that creativity and see that we have Government research going to small companies as well as the large major corporations.

Interestingly enough, not only are these provisions of S. 414 supported by small business and the universities, as one could expect, but large corporations as well realize that it is important for us to get this precedent established, see how it works, and then address the question of whether the policy should be applied equally across the board to large corporations as well as small businesses and universities.

So, Mr. President, as the debate starts here, I hope I have been able to capture the importance of this issue before us. It is not a very exciting subject, let me suggest, as when we are talking about response to Russian aggression, the concern about rapidly increasing energy costs, the concern for long-range energy supplies, all of these dramatic kind of issues that surround us today. It is really not very exciting to talk about the patent policy until it is realized how much it impacts on our economic well-being.

Mr. President, if we are concerned about inflation, I suggest one of the best ways to deal with inflation is to increase productivity, to get the cost of producing each item down and allow more sophisticated technologies to get into production.

For that reason as well as the others that I have stated I hope that the Senate will see the wisdom of supporting S. 414 which will be an important first step toward increasing productivity in this great country of ours which for years has prided itself on being No. 1 in this important area. Now we find that with the exception of Sweden in the industrialized world we are the last. We are the second from the bottom, and that is a position we should change. We should move rapidly toward the top, and I think freeing up not only our inventors and our creativity but making available to the public those ideas which have al-

ready been discovered will be an important first step toward accomplishing this goal.

Mr. President, I yield the floor.

Mr. THURMOND. Mr. President, I rise in support of S. 414, the University and Small Business Patent Procedures Act. As a cosponsor of this legislation, I strongly urge swift action on S. 414 as reported unanimously by the Judiciary Committee.

The need for legislation of this kind has been well established. Recent studies by the Department of Labor show that the United States is falling behind other countries in a number of technological areas. More technology is coming into this Nation than is going out. Foreign countries are doubling efforts to spur innovation, while many American companies are cutting back on research and development. In today's world, we cannot afford to have this continuing decline in our innovative capacity.

Economists tell us that our recession—inflation problem is worse than it appears on the surface. If productivity continues to fall, there will be a reduction of our standard of living in the 1980's. One cause of this decline has to be the slowdown in technological innovation. The Select Committee on Small Business published a report last June which attributed 45 percent of the Nation's economic growth from 1929 to 1969, to technological innovation.

Mr. President, one of the major barriers to increased technological innovation is the present patent policy of our Federal Government. Current patent policy requires Federal agencies that fund research and development work in the private sector to retain ownership in any patentable discoveries made under research supported by them. Even if the Government has provided only a small percentage of the money used in the research and development of an invention, it can take the patent rights to subsequent inventions.

Federal agencies which hold control over these patents can grant nonexclusive licenses to private businesses for commercial development. Unfortunately, private business needs more time and protection to develop an invention than is guaranteed by a nonexclusive license from the Government. The record supports this assessment. Out of the more than 28,000 patents held by the Federal Government, fewer than 4 percent have been successfully licensed.

One area of the private sector, however, has a much better record in this regard. Universities, which can offer exclusive or partially exclusive licenses on their patents if necessary, have been able to license successfully 33 percent of the patents they hold. Why then, one might ask, is the Federal Government stuck with more than 95 percent of its patent portfolio just sitting on the shelf not earning the Government any money or anyone in private business any either?

The answer is simple. Presently, there are at least 24 different patent policies among the various Federal agencies. These policies are often contradictory and serve as unnecessary barriers to organizations, like universities and small businesses, which may be interested in developing and commercializing Government-held patents, but do not have the legal staffs to wend their way through this maze of regulations and policies.

S. 414 establishes a uniform Federal patent policy with respect to inventions made by nonprofit organizations, universities, and small businesses utilizing Government grants. It also authorizes procedures for licensing inventions which cannot be licensed under current Federal patent policies. A return on the Government's investment is insured by a provision requiring any licensing or commercial use of an invention by a nonprofit organization, university, or small business, to be subject to a percentage of any gross income earned over an established amount within any 1 calendar year.

Mr. President, the bill is designed to promote the use and marketing of inventions and ideas developed with Government support. Some would argue that it is unfair to give certain Government grantees licensing rights or ownership of a patent and not give them to others. That broader question is being addressed, however, in separate legislation.

Likewise, many argue it is unfair to use Federal funds to achieve a new invention and then not retain the future rights of use or commercialization to it. But what good are these patents doing the Nation just sitting on a shelf? Nothing, in my opinion, and that is why I support S. 414.

Approval of this legislation will only mean that some 25 to 30 percent of all federally held patents will be subject to the provisions of the bill. It is not the entire wealth of the Federal Government's patent portfolio. But it is enough to spur further creativity and productivity at a time when our Nation needs an economic shot in the arm. I urge my colleagues to vote in favor of this legislation.

The PRESIDING OFFICER. Who yields time?

Mr. MATHIAS. Mr. President, will the Senator yield me 5 minutes?

Mr. THURMOND. Mr. President, I am pleased to yield to the distinguished Senator such time as he may require.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. MATHIAS. Mr. President, today we have a chance to give our lagging economy a shot in the arm. At the same time, I think we can help small business, which is the backbone of the free enterprise system, and we can do both of these things by passing the University and Small Business Patent Procedures Act.

This bill will encourage new-product innovation and investment in small business, and it will shore up the patent system.

The patent system has served this country well, since the beginning of the Republic. It protects and nurtures the creative genius of our inventors, and it accounts in great measure for the industrial might of the country. Not only does it give the inventor a chance to make a profit from his discovery, but it also gives his competitors a chance to invent around his discovery, refining it, improving it, even making it obsolete.

Abraham Lincoln observed that the patent system "added the fuel of interest to the fire of genius."

But, despite its success, several experts in the field, including Admiral Rickover, think that changes are needed. In their opinion, the Federal Government should be entitled to patent rights on discoveries made by university and business researchers who use Government funds. They think the Government's interest should be in direct proportion to the size of its contribution.

Others maintain that such a policy works against our long-term national interest. For several reasons, they contend that Government involvement would make private researchers reluctant to use any Government funds, and so slow down the inventive process. First, they say that the Government, with no real economic incentive, may be a reluctant partner in the eventual marketing of the discovery. Second, they say that the inventor will lose incentive if he or she has to share the economic rewards that flow from the effort. They conclude that such a policy, in practice, would hamper valuable research.

With this debate in progress, the Department of Health, Education, and Welfare put a freeze on the marketing of all inventions made under Department-funded grants to universities that did not hold institutional patent agreements.

I became particularly concerned about this problem when representatives of the Johns Hopkins University came to see me and pointed out that failure to obtain greater rights in an important drug invention could jeopardize efforts to commercialize the drug, resulting in loss of its benefits to the public. It is the public that has an interest here.

Shortly afterward, I joined with Senator DOLE and Senator BAYH to introduce the University and Small Business Patent Procedures Act in the 95th Congress. Reintroduced in the 96th Congress, this bill will solve the problem by allowing universities, nonprofit organizations, and small businesses to obtain limited patent protection on discoveries they have made under Government-supported research, if they spend the additional private funds necessary to bring the discoveries to the public. It will restore the "fuel of interest" that Abraham Lincoln thought so important.

Our bill would encourage the Federal Government to grant patent rights, and it has broad support among the scientific, academic, and small business communities. Best of all it would cost the Government nothing. As a matter of fact, the Government stands to have its research funds paid back under a provision of this bill that requires the patent holder to reimburse the Federal research money out of royalties and income.

It is time to overcome the barrier to commercialization so that the public can reap the benefits of our Federal R. & D. efforts. This bill is a good one; I urge all of my colleagues to support it.

The PRESIDING OFFICER. Who yields time?

Mr. BAYH. Mr. President, I appreciate very much the thoughtful comments of our colleague from Maryland. I think they are particularly appropriate because he is a member of the Senate Judiciary Committee and has been one of those who has been studying this matter for a long time. It is typical of his concern, not only for productivity, but, for the fact that the people who pay the taxes ought to benefit from that investment that he would be such an enthusiastic supporter of S. 414, and we are grateful to him.

Mr. MATHIAS. I thank the Senator from Indiana. I can only say that without the initiative he has shown in his position as one of the leaders of the committee, and as chairman of the subcommittee, this bill would not be on the floor today.

It is an important bill to move forward. It will free up a segment of the economy which we all feel should be freed up.

Mr. BAYH. Mr. President, I ask unanimous consent that the Senator from Indiana be permitted to suggest the absence of a quorum without the time being taken out of either side.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BAYH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. BURDICK). Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent to have printed in the RECORD a statement by Senator KENNEDY in support of S. 414.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR KENNEDY

I am pleased to support passage of S. 414, the University and Small Business Patent Procedures Act.

This legislation represents a significant and long overdue improvement in the Government's patent policy. It will also help to revitalize the American spirit and capacity for innovation. The need for such reform of our patent policy—one of the keys to successful innovation—is clear.

I am concerned that the number of patents granted to U.S. citizens has dropped significantly in recent years. Our economy's lowered productivity and growth rate coupled with increased importation of foreign manufactured technology clearly justify the timely patent policy reform contemplated in S. 414.

There presently exist over 20 different procedures dealing with patent policies among the various federal agencies. These procedures vary widely and are sometimes inconsistent. Frequently, these regulations deter universities and small businesses from participating in federal research and development. The Office of Federal Procurement Policy reported that only 3½ percent of the federal research and development expenditures has gone to small business in recent years, yet small businesses have accounted for over one-half of the major U.S. innovations over the last twenty years.

This legislation will greatly enhance the prospects for small businesses and universities to benefit from their investment of resources under federal research contracts. If these entities are able to obtain patent rights to inventions, they will be in much better positions to secure the venture capital necessary to reduce the inventions to commercial use.

Some are concerned that allowing private entities to obtain patent rights to inventions made with public funds would result in "giveaways" or unwarranted private gain. One of the key features of S. 414 is the "payback" provision, which requires the small business or university contractor to return to the Government the amount of the original funding. This payback provision, together with others which allow the Government to monitor and improve the efforts being taken to secure commercialization of the inventions, will help insure that the broadest public interest is being served.

By providing small businesses and universities with the opportunity to secure patent rights, we will help improve competition and assist some of our most innovative firms and entities. This legislation will help America retain its competitive edge in technology and innovation.

I am not unmindful of the technological contributions made by the larger businesses in America. With their vast resources and capabilities, large American businesses have also helped to greatly improve the state of the art in many diverse fields. This bill does not alter the ability of any business to obtain full patent rights through contract negotiations or through existing waiver procedures.

It is my belief that the approach of S. 414 is an equitable one. It assists small firms and increases the incentives necessary to achieve commercialization, while not altering the rights of larger businesses under existing procedures.

I believe that all the indicators clearly point toward the need for substantial improvements in our patent policy. I am confident that this legislation is an important first step. The Judiciary Committee anticipates undertaking additional studies and hearings on the important questions involved. As the needs and solutions become even clearer, we will continue to develop legislative proposals to improve the patent system and to insure that beneficial ideas and inventions enter the marketplace.

ROUTINE MORNING BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that there be a period for the transaction of routine morning business of not to extend beyond 45 minutes and that Senators may speak therein.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I had understood that perhaps the debate on the bill, S. 414, had ended for today. I now understand that there may be some other Senators who wish to speak.

I, therefore, ask unanimous consent that the bill continue to be before the Senate, but that Senators may speak, as in morning business, without the time being charged against the bill. This way, the bill will not be set aside from morning business. The Senators who wish to speak on the bill will come to the floor and speak on it. The Senators who want to speak in morning business may do so without charging the time to the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. JAVITS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I yield to the Senator from Idaho (Mr. CHURCH).

JOINT REPORT BY SENATORS CHURCH AND JAVITS ON THE SALE OF ARMS TO MOROCCO

Mr. CHURCH. Mr. President, on behalf of the Committee on Foreign Relations, the distinguished Senator from New York (Mr. JAVITS) and I are reporting to the Senate on the committee's consideration of Senate Concurrent Resolution 71, to disapprove the sale of certain weapons to Morocco. With the concurrence of Senator MCGOVERN, who had introduced the resolution to disapprove the sales, the committee took no action to object to the proposed sales, having in mind, first, that the sales are a demonstration of U.S. support for the Kingdom of Morocco and, second, that the executive branch provided assurances that the proposed sales will enhance the climate for good-faith efforts on the part of both sides to seek a negotiated solution to the Sahara conflict.

From early in 1978 until July 1979, the United States limited its transfer of weapons to Morocco as a result of Morocco's involvement in the Sahara war. On July 20, and July 31, 1979, Assistance Secretary of State Harold Saunders testified in executive session before the Subcommittee on Near Eastern and South Asian Affairs concerning a possible change in U.S. arms-transfer policy to Morocco. The committee sent a staff delegation to the region in August to prepare a firsthand report. The committee met again on September 20 in executive session to review the staff report and discuss the issue. On September 21, 1979, we sent a letter to the President making several recommendations concerning the proposed change in U.S. arms-transfer policy.

Mr. President, I ask unanimous consent that the letter be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. CHURCH. On January 24, 1980, the committee received three notifica-

XS.414

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SENATE—*Wednesday, February 6, 1980*

(Legislative day of Thursday, January 3, 1980)

The Senate met at 10 a.m., on the expiration of the recess, and was called to order by Hon. SPARK M. MATSUNAGA, a Senator from the State of Hawaii.

PRAYER

The Reverend David K. Kaupu, chaplain, the Kamehameha School, Honolulu, Hawaii, offered the following prayer:

Almighty God, our Heavenly Father, You have been the Alpha of these United States of America, and You have assured us of Omega in our continued relationship of trust and providence with You. Assembled here in this sacred Hall of Congress are the people of our country, our honorable Senators of these United States. We praise You, O Lord, for them; and we now implore Your divine blessings upon their minds and bodies, their hearts and souls, as they legislate together the important concerns of our land: make them to think in the milieu of thought; make them to feel—in places on sensitiveness; make them to laugh—in moments of agonizing concerns; and make them to speak—with tongues of justice, liberty, and love.

Consecrate them all for the high and holy calling of government—in service of the people, by the people, and for the people, only to the glory of Your holy name, through Jesus Christ, our Lord. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. MAGNUSON).

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., February 6, 1980.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable SPARK M. MATSUNAGA, a Senator from the State of Hawaii, to perform the duties of the Chair.

WARREN G. MAGNUSON,
President pro tempore.

Mr. MATSUNAGA thereupon assumed the chair as Acting President pro tempore.

RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. Under the previous order of the Senate, the majority leader is recognized.

HELP FOR AN ALLY

Mr. ROBERT C. BYRD. Mr. President, recent events in the Persian Gulf and western Asia are stark evidence of how political and economic problems in these regions can threaten U.S. interests. Too often, we recognize the dangers inherent in a situation when it is too late to do much, if anything, anything about them. If we are to avoid living from crisis to crisis in the future, we must anticipate problems and respond to them before they reach crisis proportions.

Turkey presents us with an opportunity for recognizing a potential problem before it is too late, and time—too much time—already has passed.

I have been warning of this for a long time, Mr. President. I have been stating that it is important that Turkey be given assistance in aiding it to deal with its very severe economic problems.

Historically, that nation has occupied a key geopolitical position. This makes Turkey a particularly important member of the NATO alliance. That nation struggles to maintain a democratic, parliamentary political system in the face of ongoing internal and external pressures—political terrorism at home and ominous events across Turkey's borders in the Soviet Union and Iran.

Especially grave are Turkey's economic difficulties—inflation currently running as high as 100 percent; unemployment very high, 20 percent or higher; foreign currency reserves sorely depleted. The Turks are finding it increasingly difficult to pay for the importation of the oil they need to keep their economy moving. Without imported oil, shops and factories will close, increasing unemployment even more.

Political extremists have sought to exploit Turkey's economic difficulties. But the Turks have persevered up to now, and they still are persevering. Elections were held last fall, and the leader of the opposition, Mr. Demirel, was elected to be his nation's Prime Minister. The Demirel government has promised a far-reaching austerity program to improve the nation's economy.

Turkey needs help, and Turkey has been needing help, in its efforts to foster economic recovery. After much deliberation, Congress approved an aid package for Turkey for fiscal year 1980, aid that would help to alleviate Turkey's economic problems and help to reduce the economic burden of its NATO defense commitment.

Unfortunately, this aid is part of the foreign assistance appropriations measure that is still in conference. Members of the Senate took a strong stand last year in support of giving Turkey needed assistance. When are we going to recognize what is in our own best interests?

I have said time and time again, on this floor and elsewhere, that it is in the security interests of this country, the United States, that Turkey not go under; that Turkey be given help, enough help.

That country is in a very strategic location, strategic position. It ties down 25 Soviet divisions on the border separating Turkey from the Soviet Union. It is the largest unit in NATO, I believe—500,000 Turkish troops. Yet, Congress cannot bring itself to the point of seeing the vitality of helping Turkey, how vital it is to our own interests.

I have urged the administration to try to help Turkey more this year, to put more money in the budget request for Turkey. We put in more money for Egypt. I am for that. We put in more money for Israel. I am for that. But it also is important that we help Turkey.

I believe it is imperative that we demonstrate our determination to work with the Turkish Government to meet its economic problems today, so that tomorrow, Turkey and we will not face political problems of an even greater magnitude.

Turkey, we, and the other members of the NATO alliance will all face greater problems if the situation in Turkey deteriorates.

RECOGNITION OF THE ACTING MINORITY LEADER

The ACTING PRESIDENT pro tempore. The Chair recognizes, under the previous order, the distinguished acting minority leader, the Senator from Alaska.

AID TO TURKEY

Mr. STEVENS. Mr. President, I am pleased to hear the majority leader once again state such a firm policy of endorsement concerning the assistance which must be given to our friends and allies in Turkey. I hope that during the period ahead, particularly while we attempt to protect the Persian Gulf region and to increase our defense commitments throughout the world, that we do not forget those who have been our true friends through the stormy past.

I concur in the statement of the majority leader.

MINNESOTANS HAVE REASON TO BE PROUD

Mr. STEVENS. Mr. President, last election Minnesotans sent two distinguished young men to represent their State in this body.

Senator RUDY BOSCHWITZ moved quickly to establish his reputation and has become a spokesman in many areas of legislative endeavor, particularly those involving the budgetary process. Likewise, Senator DURENBERGER has taken the lead on many issues of concern to Minnesota and the Nation. He was elected president of our class of newly elected Republican Senators early on and

● This "bullet" symbol identifies statements or inserti ons which are not spoken by the Member on the floor.

be a period for the transaction of routine morning business not to extend beyond 20 minutes and that Senators may speak during that period.

The PRESIDING OFFICER. Without objection, it is so ordered.

BUDGET ACT WAIVER

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Order No. 590, Senate Resolution 314.

Mr. President, may I say that this has been cleared with the acting Republican leader, who is represented on the floor in this matter at the moment by Mr. SCHMITT.

The PRESIDING OFFICER. The resolution will be stated by title.

The legislative clerk read as follows:

A resolution (S. Res. 314), waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 1991.

The PRESIDING OFFICER. Is there objection to the request of the Senator from West Virginia?

There being no objection, the Senate proceeded to consider the resolution.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 314) was agreed to, as follows:

Resolved, That pursuant to section 402(c) of the Congressional Budget Act of 1974, the provisions of section 402(a) of such Act are waived with respect to the consideration of S. 1991, a bill to amend the Federal Trade Commission Act.

Such waiver is necessary to permit the consideration of legislation authorizing the enactment of new budget authority for fiscal year 1980 for the Federal Trade Commission.

This authorization will not delay the appropriations process, or interfere with the budget process, since authorizing legislation for this purpose was reported by the Committee on Commerce, Science, and Transportation prior to May 15, 1979 (S. 1020).

Subsequently, the committee held nine days of oversight hearings which resulted in several proposed changes to the Federal Trade Commission Act. The new legislation (S. 1991) will permit consideration of a comprehensive legislative proposal rather than dealing with individual amendments to S. 1020.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. SCHMITT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. SCHMITT. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

RECESS FOR 15 MINUTES

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate recess for 15 minutes.

There being no objection, the Senate at 10:57 a.m., recessed for 15 minutes; whereupon, at 11:12 a.m., the Senate reassembled when called to order by the Presiding Officer (Mr. BAUCUS).

CONCLUSION OF MORNING BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask that morning business be closed.

The PRESIDING OFFICER. There is no further morning business. Morning business is closed.

UNIVERSITY AND SMALL BUSINESS PATENT PROCEDURES ACT

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of the pending business, S. 414, which will be stated by title.

The assistant legislative clerk read as follows:

A bill (S. 414) to amend title 35 of the United States Code, to establish a uniform Federal patent procedure for small businesses and nonprofit organizations, to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance, and for other purposes.

Mr. DOLE. Mr. President, I ask unanimous consent that the names of Senator SIMPSON and Senator JAVITS be added as cosponsors of S. 414.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, S. 414 was recently reported out favorably by the Judiciary Committee. The University and Small Business Patent Procedures Act aims at facilitating the transfer to the private sector of technology from the federally funded innovation stage. It allows universities, nonprofit organizations, and industry to obtain limited patent protection on discoveries they have made under Government-sponsored research, while establishing a uniform policy on the granting of patent rights.

During the hearings that were held by the Judiciary Committee in May and June 1979, testimonies were heard by scientists whose inventions were significant in terms of medical advances, and by heads of small, high-technology companies who provided shocking illustrations of the formidable obstacles placed in the field of technology transfer, in which the United States has been steadily losing its traditional leadership.

From these testimonies, it became clear that the Government's lack of a coherent patent policy had greatly contributed to increasing the factor of uncertainty, in an already uncertain area, that of technology end results. Indeed, the Government has been following the general principle of retaining patent rights to inventions that result from federally funded research. This has led to a reluctance by inventors and industry to invest the necessary funds for the development and the marketing of these inventions. Their position is easily understandable, in view of the fact that the development process is not only risky but expensive, and estimated to cost 10 times the cost of the initial research. Consequently, the most experienced and best qualified companies are often excluded from bidding on Government contracts, at a considerable loss to the public.

The Government's retention of rights to inventions it funded leads to the question "Why doesn't the Government engage in the development and marketing of these inventions?" The answer is that the Government has neither the financial resources nor the expertise to do so.

In fact, I think many would be violently opposed to any such effort, in any event.

As a result, out of the 28,000 inventions it funded, only about 5 percent have been used. Denied the modicum of protection that the granting of patent rights for a limited period of time would afford them, the private sector lacks the incentive that would stimulate it into developing and marketing inventions.

We are all aware that large amounts of taxpayers' money are directed to the research field. Against its investment, the public rightfully expects and deserves to reap a return in the form of products available for its consumption. That such expectations too often fail to materialize, is a clear indication that the Government reneges on its promise to the American people. That was repeatedly evidenced by the testimonies heard during the hearings held last spring. Dr. Arthur Obermayer, president of Moleculon Research Corp. in Cambridge, Mass. indicated that—

When the Government owns a patent, the Government in fact does not use it. It does not need to use it. When a patent isn't used, it really isn't worth anything to anybody and has no real value by itself.

The obstacles placed in the path of U.S. industry are removed in the case of foreign firms, that are able to develop and market ideas gleaned from U.S. funded research. The result is stiff competition on world markets by foreign firms. The problem was highlighted by Dr. Patrick Iannotta, president of Ecolotrol in Bethpage, N.Y., testifying in May:

Our frustration was that much of the information we gave to the Government in trying to get them interested in our system, subsequently turned up in Japan. And now, they are in the world market competing against us.

As Dr. Arthur Obermayer succinctly put it:

The Government doesn't have to worry about foreign countries, but not U.S. industry . . . an irony of the situation is that the Government normally retains U.S. patent rights for itself but gives away foreign rights.

This explains some of the frustrations that many of us face in trying to figure out some response to a very real problem.

The role played by the U.S. Government in encouraging the export of technology is painfully illustrated by a case brought to my attention by Dr. Leland Clark. Dr. Clark, professor of pediatrics

at Children's Hospital Research Foundation in Cincinnati, had worked on a blood substitute since 1966. Last spring, he applied for a Government contract on it. It was awarded on October 10 to Alpha Therapeutics in California, a subsidiary of the Japanese firm, Green Cross Corp. in Osaka.

There is nothing wrong with foreign competition, so long as we respond to it with vigor and imagination, and not with inertia and passivity. One of the best ways to face it is by an increase in productivity, through the granting of patent rights for a limited period of time, to guarantee business the protection needed in order to provide incentives to produce more and better. Traditionally, innovative, and creative programs have emanated from small businesses and companies who, in turn, have engendered job creation and promotion. One needs only to be reminded of Polaroid and Xerox, who were small concerns when they initially developed Xerography and the Polaroid camera, to agree that this is so. The enormous wealth of American genius has not dried out. It must not be allowed to waste away on account of unnecessary delays and red-tape. Complex rules and regulations devised by Federal agencies are detrimental to stimulating enterprise and productivity, and are particularly harmful to small business.

That gets to the purpose of S. 414.

S. 414 aims at replacing the almost adversarial relationship that now exists between business and Government, with a true and genuine partnership in which everyone can benefit: the American public, businesses, and last but not least the Government who will reap tax profits from increased productivity, increased employment, at no cost thanks to the special provision in the bill, section 204 that guarantees the Government return of its investment in research funds. This bill goes a long way in meeting President Carter's objectives, as spelled out in his state of the Union message to this Congress last year, that "we reduce Government interference and give the American economic system a chance to work" so that we can "reassert our Nation's technological leadership.

In an article published in the Washington Post on December 26, 1979, William Claiborne describes the partnership that exists between the Government and the private sector in Israel, a nation poor in natural resources but rich in human ingenuity. That cooperation has resulted in an annual growth of innovative industrial products of 30 percent.

Mr. President, I ask unanimous consent that the full text of that article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

INGENUITY IS PROVING TO BE ISRAEL'S MOST VALUABLE EXPORT

(By William Claiborne)

JERUSALEM, December 11.—With its research and development-based industrial products leaving agriculture far behind in the export race, Israel is on the verge of committing itself even more fully to innovative industry.

This will involve increased government infusions of risk capital and the transfer of scientists from academic projects to the private sector, officials said this week.

The government, already heavily extended in subsidizing development of new products for export, hopes to improve its precarious balance of payments position in the next five years by sinking $350 million into industrial research and development, Arie Lavie, chief scientist of the Ministry of Industry, Trade and Tourism, said in an interview.

Coupled with an estimated $150 million that will be privately invested, the commitment will put Israel, on a per capita basis, among the leading nations in the research and development sweepstakes.

"The government recognizes the priority of exporting sophisticated industry. We have to do this thing, not in spite of our economic problems but because of them," Lavie said. Inflation in Israel currently is running more than 100 percent annually.

He said the new policy would retain the current government grants of up to 80 percent of costs for a new product, and add government loans for working capital and broad tax incentives to industries and individual investors to encourage private venture capital.

The export of products based on research and development has soared in Israel, from a paltry $2.5 million in 1967 to $700 million this year, or 30 percent of total civilian industrial export products. Economic analysts predict that by 1981 the total will reach $1 billion and by 1986 $2 billion, or 40 percent of total industrial exports.

Since the founding of the Jewish state 31 years ago, agricultural exports—ranging from cut flowers sold in Europe to oranges and avocados sold worldwide—have dominated Israel's foreign sales. But last year, the country's total $2 billion in civilian and military industrial exports included $540 million in research and development-based products, compared to $495 million in agricultural exports.

The annual rate of growth of innovative industrial products, Lavie said, is 30 percent, compared to 9 percent for industry based on imported technology.

Having found the way to feed its 3.5 million population with food to spare for sale abroad, Israel is now plunging headlong into exporting its ingenuity.

The surge of innovative products, in fact, was inspired by traditional Jewish ingenuity that turned vast areas of desert into productive farmland, and gave rise to a formidable arms exporting industry whose sales this year are expected to total $600 million.

Without an adequate supply of cheap labor and with no abundance of natural resources, Israel would not seem to qualify for accelerated industrial growth. But its academic manpower—10,000 scientists and 20,000 engineers, many immigrants from Eastern Europe and the Soviet Union—gives the country an edge that offsets these deficits.

A recent joint study by the Massachusetts Institute of Technology and the World Bank recognized the potential of ingenuity, while seeking to learn how Israel has increased its industrial research and development in so short a period, and how the country has translated it into export growth.

The government has launched programs to lure more scientists and engineers from academia into corporate laboratories to boost the innovative pace.

Start-ups of new companies dealing exclusively in research and development products are running about 20 a year and approximately $20 million a year is being spent on joint projects with foreign firms, including $12 million invested in projects by 12 U.S. firms.

Israel's semisocialist government currently is investing $35 million a year in conditional grants to private companies, covering 50 percent of research and development on new products and up to 80 percent for products classified of "national importance." The latter category includes such products as a new solar pond and generating turbine near the Dead Sea.

If a research and development results in commercialization of a product, the firm pays the government royalties of 1 percent of sales for seven years, but not exceeding the grant.

"The government should split the risk. There's very high risk involved, and a lot of these companies are too small to absorb any kind of loss," Lavie said.

Lavie said the government is also planning to implement other incentives long used in Western industrialized countries, including tax benefits and government loans for working capital in successful research and development ventures.

The leading Israeli products in the civilian research and development export field now are medical equipment and drugs, electronics, communications products, computers, fine chemicals, machinery and plastics.

In the field of arms exports, Israel has long been in the big leagues, employing 32,000 workers in the defense industry—11 percent of its industrial work force. The government is secretive about its defense industry, refusing to publish sales or market data.

Its biggest investment has been the development of the high-performance Kfir C2 jet fighter. The government-owned Israeli Aircraft Industries is designing a new fighter for the next decade that will perform similarly to the American-made F16. It has been estimated that research and development on the new fighter could reach $2 billion.

In addition, IAI and its subsidiaries produce the Gabriel missile, the Arava Stol military transport, the missile-equipped Dvora high-speed patrol boat, armored vehicles, antiaircraft weapons, field guns and electronic components for ships, small arms—including the renowned Uzi submachine gun and the Galil assault rifle—and ammunition.

About 200 firms reportedly are involved in the manufacture of the Merkhava tank, which was unveiled recently in field trials.

Mr. DOLE. Mr. President, I believe that there is a message to be read in the example of nations such as Israel and Japan, two who have become industrial powers without the benefit of the natural resources that the United States enjoys. I urge Senators to vote in favor of a bill that has gathered enormous support from all sectors of American life, for the reasons enumerated in this statement.

Mr. President, I urge my colleagues to consider seriously S. 414 and to support it, and I also suggest at the appropriate time my opposition to the amendment to be offered by a number of Senators.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UNANIMOUS-CONSENT AGREEMENT—S. 1991

Mr. ROBERT C. BYRD. Mr. President, with respect to the time agreement on the FTC bill, I do not remember

clearly as to whether or not I specified that as to that the agreement would be in the usual form.

The PRESIDING OFFICER. That has not been specifically stated.

Mr. ROBERT C. BYRD. I make that unanimous-consent request at this time.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Otherwise, the managers of the bill would not have been able to yield time from the bill to Senators on amendments, motions, and so on.

The PRESIDING OFFICER. That is correct.

Mr. ROBERT C. BYRD. I thank the Chair.

RECESS UNTIL 11:45 A.M.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate stand in recess until 11:45 a.m. today.

There being no objection, the Senate, at 11:25 a.m., recessed until 11:45 a.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. INOUYE).

UNIVERSITY AND SMALL BUSINESS PATENT PROCEDURES ACT

The Senate resumed the consideration of the bill (S. 414).

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum. I ask unanimous consent that the time be charged to both sides on the bill.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SCHMITT. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PELL. Mr. President, will the Senator yield for 1 minute?

Mr. SCHMITT. I am happy to yield to the distinguished Senator for a unanimous-consent request.

VISIT TO THE SENATE BY MEMBERS OF THE PARLIAMENT OF EUROPE

Mr. PELL. Mr. President, I just wanted to point out that we have the honor of having members of many national parliaments here who are here with the Parliament of Europe. And they, being fellow parliamentarians, wanted to visit the Senate Chamber. I suggest that we give them some applause. [Applause.]

RECESS

Mr. ROBERT C. BYRD. Mr. President, will the Senator allow us, without losing his right to the floor, to recess for 2 minutes so that we might meet our distinguished guests?

Mr. SCHMITT. Mr. President, the Senator from New Mexico is happy to do that.

There being no objection, the Senate, at 11:48 a.m., recessed until 11:50 a.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. INOUYE).

UNIVERSITY AND SMALL BUSINESS PATENT PROCEDURES ACT

The Senate continued with the consideration of the bill (S. 414.)

The PRESIDING OFFICER. Who yields time?

Mr. SCHMITT addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. SCHMITT. Mr. President, I am happy to yield to the distinguished Senator from Illinois for the purpose of calling up his amendment.

The PRESIDING OFFICER. The Senator from Illinois.

UP AMENDMENT NO. 960

Mr. STEVENSON. Mr. President, I thank the Senator from New Mexico.

Mr. President, I call up an unprinted amendment at the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Illinois (Mr. STEVENSON), for himself, Mr. CANNON, Mr. SCHMITT, and Mr. PACKWOOD, proposes an unprinted amendment numbered 960.

Mr. STEVENSON. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 25, lines 15–16, strike "'University and Small Business Patent Procedures Act'.", and insert in lieu thereof "'Government Patent Policy and Procedures Act'.".

On page 26, line 9, strike "nonprofit organizations and small business firms", and insert in lieu thereof "government contractors".

On page 25, line 16, strike "and".

On page 26, line 17, strike "area.", and insert in lieu thereof "area; and to assist in the accomplishment of the research and development missions of the Federal agencies.".

On page 28, line 21, strike "nonprofit organization or small business firm", and insert in lieu thereof "contractor".

On page 29, line 11, strike "nonprofit organization or small business firm", and insert in lieu thereof "contractor".

On page 30, lines 15–16, strike "with a small business firm or nonprofit organization".

On page 35, lines 11–12, strike "small business firm or nonprofit organization", and insert in lieu thereof "contractor".

On page 45, line 12, strike "small business firms or nonprofit organizations".

On page 48, strike lines 1 through 16; and on page 48, line 17, strike "(d)", and insert in lieu thereof "(b)".

Mr. STEVENSON. Mr. President, this amendment is offered on behalf of myself and also Senator CANNON, Senator SCHMITT, and Senator PACKWOOD.

The amendment is intended to extend the Federal patent policy proposed in S. 414 for small businesses and universities to all Government contractors. This amendment would cause the bill to carry out its title. It would make patent policy consistent and uniform. The amendment would retain the bill's requirement for repayment to the Government when inventions lead to commercially successful innovation. It retains the Government's right to require licensing in cases where contractors fail to commercialize inventions in a reasonable time. It also retains the preference for domestic exploitation of inventions developed with public funds. But it would give the title to inventions to all contractors. The bill as it is establishes a policy which gives title to some but not other Government contractors.

This amendment is one product of 2 years of study of industrial technology and innovation by the Commerce, Science, and Transportation Committee, including four hearings on Government patent policy legislation.

In order for the public to benefit from inventions derived from Government-supported research and development, they must be developed, marketed and used. The Government can provide assured markets for some inventions by purchasing new products and services for its own use, primarily in defense and space programs. In other cases, Government regulations effectively require producers to use an invention. But for energy development, health care, and transportation improvements, civilian applications of military and space R. & D. and a variety of other domestic purposes, the Government depends on private markets to commercialize the technology it helps to develop. Private investors run some risks in turning these inventions into marketable products. The risks are especially high if their competitors can legally copy an invention because the Government refuses to allow a producer exclusive rights for the period necessary to recoup his investment. The principle of granting exclusivity in return for public disclosure and use of an invention is the very foundation of the patent system, but it is not recognized in many Government R. & D. grants and contracts. And so Government-financed inventions frequently go unused.

Between 1970 and 1975, the Government acquired title to more than 80 percent of publicly financed inventions. Less than 10 percent of the Government's patent portfolio has been licensed to private producers. Less than 5 percent of Government-owned inventions are used commercially.

Our capacity, Mr. President, to compete in a highly competitive world is eroding. The country cannot afford to abandon its inventions for commercial purposes.

This bill recognizes the need to exploit Government financed inventions, but the bill as it stands recognizes that need only for the smallest contractors and universities, and also for the largest, the defense contractors. It establishes a Federal patent policy that discriminates among contractors on the basis of size and their tax status. Small business and not-for-profit organizations get exclusive title to inventions. Agencies that now grant exclusive title to contractors, including the Defense Department, continue to do so.

There is no rationale for this discrimination which grants title to inventions to small firms, nonprofit organizations,

and defense contractors and not to others.

The testimony of Government and private sector witnesses before the Committee on Commerce almost unanimously opposed such a discriminatory Federal patent policy.

The bill sets up categories of contractors depending upon the agencies with which they do business. It makes the Small Business Administration the authority which decides what businesses qualify as small businesses.

In the end, Mr. President, this bill, without the amendment, will require more unnecessary Government regulation and red tape, and it will penalize corporations for their success. As soon as they pass over the Small Business Administration's line and are no longer considered small business by that agency, they are deprived of exclusive title to Government financed inventions.

Our amendment gives the Route 128 companies in Massachusetts and the Silicon Valley firms in California an inducement to contribute to Federal R. & D. missions. It gives them incentives to commercialize the technologies which they develop.

In approximately 70 percent of the cases, large defense contractors already obtain unrestricted title to their inventions under DOD policy and will continue to do so under this bill.

Big businesses are able to obtain title from agencies, such as NASA, which have authority to grant it. They will continue to do so under this bill, and with no obligation to repay the Government. Our amendment would primarily affect the board range of medium-size firms engaged in energy, transportation, health, and other civilian research and development where the Government's programs are aimed at pressing national needs.

The Federal research budget of $29 billion includes nearly $10 billion for civilian R. & D. Congress has authorized a massive investment in the development of synthetic fuels. The President has proposed a $500 million program to advance automotive technology. The Commerce Committee will soon report legislation to support the development of new manufacturing and other generic technologies.

The country cannot afford patent policies which discourage the commercialization of inventions financed by the Government. The inventions in these areas are of special importance and they will be, to a very large extent, financed by public expenditure. And they will, to a large extent, go unused unless this amendment is adopted.

This issue has been on the agenda since the 1940's. Any number of commissions and private studies have recommended a comprehensive, uniform patent policy. This amendment would, finally, establish uniformity and consistency. It would grant all industries the right to exploit the technologies they developed, while reserving to the Government its right to use the inventions.

S. 414, Mr. President, discriminates against small business and universities. If nonprofit organizations and small business firms are successful in commercializing or licensing their inventions, they will be required to pay back the Government contribution. These "pay back" requirements would not apply to defense contractors or the contractors of other agencies with title waiver policies.

The policy should be uniform, the redtape should be minimized, and if the United States is to compete in this competitive world, it should encourage innovation by firms of all sizes.

Mr. President, this amendment is a test of the Senate's concern about America's ability to innovate, to produce and compete in a fiercely competitive world.

I urge my colleagues to support it and then pass S. 414 so we can secure the benefits of publicly supported R. & D. for the Nation.

(Mr. STEWART assumed the chair).

Mr. SCHMITT. Mr. President, I am pleased to associate myself with the remarks of the distinguished Senator from Illinois. I am pleased to join with him and the Senator from Nevada and the Senator from Oregon in cosponsoring this amendment to Senate bill 414, of which I am also an enthusiastic cosponsor.

Adoption of the amendment would have the effect of immediately advancing the benefits previously outlined by the sponsors of this bill to all Federal contractors, regardless of size or profit status. Failure to modify S. 414 in the manner proposed by the amendment would further delay the development and diffusion of new technology into the domestic and export marketplace at a time when our Nation is facing ever-increasing technological challenges from our major foreign competitors. Both the distinguished Senator from Kansas (Mr. DOLE) and the sponsor of S. 414 (Mr. BAYH) have talked to this point very persuasively. Let us remember that the point will not be taken care of unless we deal with the majority of the American economy.

The bill under consideration today, S. 414, basically deals with small business and universities, which receives less than 20 percent of the entire Federal research and development funds, whereas all other businesses receive the remaining 80 percent. The amendment proposed by the Senator from Illinois deals with that other 80 percent.

As I am sure most of my colleagues are well aware, or are becoming increasingly aware, recent economic indicators of a broad variety suggest that the United States is experiencing a serious decline in the rate of technological innovation. One of the major factors contributing to the unbelievably high and increasing inflation rate is just this decline in technological innovation and the loss of productivity that has accompanied it. For example, we are faced with a real decline in the rate of our national investment in Federal and private research and development at a time when our free world competitors are increasing their respective expenditures in research and development and in a coordinated, export-oriented way.

Capital investment in the United States is growing more slowly than it is elsewhere, and the U.S. trading position, even in many formerly safe high technology areas, is clearly inferior.

The number of patentable inventions made under federally-supported research has been steadily declining while the share of U.S. patents issued to foreign applicants has doubled in the last 14 years;

Statistics confirm that American productivity is growing at a much slower rate than that of our free world competitors and is approaching a zero rate of growth.

For the past 2 years, the Senate Commerce Committee, in cooperation with the Senator from Illinois and the Banking Committee, has conducted an extensive review of the state of American technology and the role of the Federal Government in promoting technology utilization and the impact of these on our exports and our domestic economy. Witnesses before the committee have repeatedly underscored the need to stimulate the development, application, and diffusion of new products and processes throughout our economy if we are to reverse the alarming downward trend in our economic growth and productivity.

Admittedly, the problems are varied and complex—overburdensome and costly regulations, lack of an overall trade policy, repressive tax policies, and inadequate funding of basic research, both public and private—to name just a few. Yet, too often, we seek solutions which require new and expensive programs rather than taking the time to reexamine and adjust existing policies which have been ineffective and oftentimes counterproductive.

Mr. President, the problem here today is the Federal Government's patent policy. This is one area where there has been a general consensus that existing Federal policies are ineffective and in need of revision with respect to the Federal Government's policy for managing the fruits of the billions of dollars of national expenditures on research and development, our Federal Government's patent policy is in serious need of revision.

Mr. STEVENSON. Mr. President, will the Senator yield for a question?

Mr. SCHMITT. I am happy to yield to the Senator from Illinois.

Mr. STEVENSON. I understood the Senator to say that the present patent policy has proved itself ineffective. Indeed, it has, in general, proved itself counterproductive. But has the patent policy of the Department of Defense proved itself ineffective?

Mr. SCHMITT. The Senator raises an excellent point. The Senator from New Mexico was speaking in general, looking at the entire spectrum and hodgepodge of patent policies. Fortunately, within that spectrum there are examples of excellent patent policies. The Department of Defense has had a very fine record of utilization of inventions performed under its contracts. Its policy is basically a policy that allows titles under certain safeguards to revert to the contractor.

NASA has what is called a waiver policy. That is, under certain circumstances, they can waive title to the con-

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tractor. In both cases, the statistics are extraordinarily persuasive that, by factors of four and five, the commercialization rate is higher when the contractor has title than when the Government retains title. That must be realized, whether we are talking about small business or large business, as the fundamental, factual evidence that requires a change in present policy.

Mr. STEVENSON. If the Senator would yield further, this amendment would simply extend the policy already proved effective to the other agencies of the Government, would it not?

Mr. SCHMITT. That is entirely correct. Those agencies of Government that have had access to a title-in-contractor policy have found it extraordinarily successful. The testimony before our committee has been very persuasive on that point. Those agencies have supported a title-in-contractor policy, of course, with safeguards to the public interest. Where it is appropriate for the Government to retain title, those safeguards should be built in.

What we are saying is that the burden of proof should be on the Government.

Mr. STEVENSON. I thank the Senator and I commend him for his efforts.

Mr. SCHMITT. Mr. President, for more than a decade, Federal agencies have funded nearly one-half of this Nation's expenditures on research and development. During this past fiscal year alone, the Federal Government provided more than $29 billion in R. & D. support. Three-quarters of this sum is used in direct support of research in industry, universities, and other private sector laboratories.

As a result of this huge national investment, thousands of inventions are identified each year which have formed a valuable source of new products and ideas. The evidence is overwhelming, however, that overly restrictive patent policies have had a serious dampening effect on the commercialization of new technology and the willingness of American industry to participate in critical national research and development programs—of course, with the exceptions that the Senator from Illinois and I just discussed

Mr. LONG. Will the Senator yield for a question at that point?

Mr. SCHMITT. I am happy to yield.

Mr. LONG. I ask the Senator, can he point out just one thing, one invention, just one good invention, that has not been developed because the Government cannot give away a private patent monopoly to a private contractor? Just one.

Mr. SCHMITT. Proving the negative, as the Senator well knows by asking the question, is a very difficult thing to do. But we do know that on a statistical base, where the Government has retained title, less than 5 percent of the inventions have been commercialized, where it has waived title the figure is 20 to 25 percent.

Mr. LONG. Will the Senator yield further?

Mr. SCHMITT. I am happy to yield to the Senator.

Mr. LONG. Is the answer not obvious? Wherever something is any good, someone might come in and ask the Government to waive the title. But if it is not worth a tinker, of course, no one will ask to waive it.

Let us assume somebody invented a better light bulb, or invented the light bulb. Does the Senator have any doubt of the fact we would not give away a patent monopoly to let someone develop it, that the light bulb would not be developed? Does the Senator have any doubt?

Mr. SCHMITT. Yes. I have great doubt that would happen. It would not happen for this reason. The person with the greatest financial and intellectual incentive and motivation to commercialize the invention is the person who invented it. That is the basic reason why in the bill and in our amendment we are trying to give those people access to the title of their inventions. They are the ones who will see it move.

If we have an open license policy, the evidence is extremely strong in our testimony, which the Senator has participated in, that says those inventions will not be commercialized, or commercialized at a very low rate.

Mr. LONG. If the Senator will yield further, I say to the Senator that I have conducted hearings on this matter for years myself. I have been involved in this fight for at least 20 years. In the whole 20 years, I have yet to see anybody show me one single example of anything that is any good that has not been developed because the Government could not give away a private patent monopoly. Not one example in 20 years.

Mr. SCHMITT. If the Senator will yield, it is impossible to show him one because they have not been commercialized.

Mr. LONG. It is very simple, there are not any. That is the reason.

All we have to do is just go back to all these patents, the Senator is talking about and find something that would really be a great thing for the public if somebody would develop it and bring in a witness to demonstrate that this is something feasible that should be done, but he is not willing to do it without a patent monopoly.

Every day of the week people go in business to produce almost anything in the public domain, and if it is not being produced by somebody else, they try to move ahead as fast as they can in the area before somebody else discovers there is a market for the product.

I do not care whether it is diet food or a new mousetrap. If we have something that is any good, people will be delighted to go into business and produce it.

But, on the other hand, when the Government has paid to develop something, to then say to the Government, you develop it; but to let somebody that did not develop it, that had nothing to do with it, go out, have a private patent monopoly, and make the public pay four or five times what it ought to cost the consumer to buy that product, what is the sense of that?

Mr. SCHMITT. The sense is, and I think it is very clear, that if the Government really continues to sit on these inventions, the consumer is never going to have any access to them. The net result is that the increase in the GNP will never occur.

Look at what is happening to the patents we do grant abroad. The patents that can be taken abroad—and this happens—are, in fact, licensed and do get commercialized, but they do abroad, not here.

I yield to the Senator from Illinois.

Mr. STEVENSON addressed the Chair.

Mr. LONG. Would the Senator name just one thing? Even something we took abroad. Name just one thing that could not be developed here in this Nation.

Mind, we have 50 years of history to look at. Just name one thing, even something we took abroad, that could not have been developed here, something that is any good, even if we use that loophole to go abroad with something that could not have been developed here in the public domain, just like anything else.

Mr. SCHMITT. There is absolutely no question that in theory the Government could become a member of the free enterprise system. But the Senator knows as well as I do that is why 30,000 patents are sitting on the shelf. Nobody is using them. That is the problem. The Government cannot do it. If it could, it would have been done.

Mr. LONG. It is very simple, that 30,000 which nobody feels like doing anything with is junk, and that is why nobody cares to fool around with them.

But if we come up with Government research, paid for 100 percent by the public, if we come up with the big one, so that instead of having to take atomic power and put that atomic power under a boiler and heat some water and use the water to turn a turbine, and the turbine to generate electricity, we could just take the atomic power, put it against the electric wire, the transformer, and put the electricity into the wire, that that would be worth about $100 billion.

Mr. SCHMITT. That is not what we are talking about.

Mr. LONG. Does the Senator have any doubt it would be worth $100 billion?

Mr. SCHMITT. It would be worth more than that.

Mr. LONG. All right. $100 billion.

If the Government paid for it, why should the Government give away the $100 billion? They have already paid for it.

Suppose this little engineer comes up with this bright idea and he is on Lockheed's payroll. Lockheed is being paid and guaranteed a profit on the deal. The only way they could lose any money is to fail to add up the column of figures of how much the Government will pay them.

So when Lockheed hired this little engineer, they have contracted, which is customary, that Lockheed will get the patent.

The Government has paid for the whole thing, guaranteed Lockheed the profit. Lockheed cannot lose any money except by failing to bill the Government what it owes, and the little guy with the bright idea that invents this is worth $100 billion. He does not get it. Lockheed gets it. That has already been stated, to begin with.

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Will the Senator explain, why should Lockheed get $100 billion when they could not invent it or figure it out, and the Government paid for the whole thing and guaranteed the person a profit, and it is this little guy, working for the Government in the last analysis, because the Government is paying Lockheed a guaranteed profit to hire him? Why should Lockheed have all that?

Mr. SCHMITT. So that the American consumer and the American economy can benefit from that invention. The Senator from Louisiana knows that as well as I do.

I wish the Senator had had the time to participate in all our hearings, because the business and Government community came in and almost universally supported a uniform patent policy of the kind advocated by the Senator from Illinois and me.

Mr. LONG. I do not need to participate in the Senator's hearings. I have held many hearings. I have held many times the hearings the Senator from New Mexico has held, before he came to the Senate.

I have yet to hear any of these people say, "Give all this to me. Let me get rich at the expense of the taxpayer." I have yet to see anybody document that case. There is not one thing that could not be developed in the public domain.

Does the Senator have any doubt in his mind that if somebody made the breakthrough I talked about, where you could take atomic power and put it into electricity, people would develop it?

Mr. SCHMITT. I do have doubt that it would be developed.

Mr. LONG. Will the Senator explain?

Mr. SCHMITT. The capital would not be available for its development; and the consumer, in an instance such as that would be the net loser.

Mr. President, a recently released report on Government patent policy prepared by the Federal Council for Science and Technology concluded that there has been a steady decline in the rate of inventive activity by both Government contractors and Federal employees. The number of inventions resulting from the Government's R. & D. effort has dropped nearly 50 percent over the period 1968 to 1975. Fiscal year 1975 marked the lowest number of inventions reported since data collection began.

Even more disturbing is the data which confirms that very few Government-acquired inventions find their way into commercial use. In testimony before our committee, NASA's Deputy Counsel indicated that less than 1 percent of NASA-owned inventions are commercialized, whereas, up to 20 percent of inventions to which the Agency has waived title are in use. An extensive study conducted by Harbridge House in 1968 reported a doubling of the commercialization rate when contractors with commercial background positions were allowed exclusive rights to their inventions. As a result of past Government patent policies, the Federal Government presently holds title to nearly 30,000 inventions, of which less than 5 percent have been effectively utilized.

Mr. President, the reasons for the Federal Government's poor performance in developing and marketing Government-sponsored inventions are manyfold—

First and foremost is the failure of existing Federal patent policies to provide the necessary incentives to stimulate innovation and the commercialization of new technology by the contractor. The vast majority of Government research contracts include provisions which require the contractor to turn over any inventions made in the course of the contract to the Federal agency. The contractor typically is left with only a nonexclusive license. Experience has demonstrated that nonexclusive rights are an insufficient incentive to justify the private contractor's investment of the millions of dollars often essential to develop an invention to the point where it is marketable.

Even the more flexible policies which permit a case-by-case waiver of the title to the contractor have proven to be unsatisfactory because of the high administrative costs and long periods of uncertainty for the contractors. Delays attendant to the processing of normal waiver applications average between 10 and 20 months at the Department of Energy, with extreme cases having been reported to take over 3 years. Agency officials concede that the waiver policies by necessity involve substantial burdens for both the Government and the prospective contractors with respect to the petitioning, negotiating, and determining waiver requests, and that the delays experienced in the contracting process as a result of this policy can affect the commercialization of the inventions involved.

To a certain extent Federal contractors are confused and discouraged by the absence of a single, uniform Government patent policy. Federal agencies currently operate under nearly 20 different statutory directives, innumerable regulatory interpretations, and two Executive orders. It is not uncommon for a single agency to operate under totally different patent policies. In many cases the cumulative effect of these disparate policies is to discourage contractor bidding or the pursuit of new ideas flowing from a Government research contract.

An additional factor is the lack of certainty attendant to the contracting process. In dealing with those agencies that insist on acquiring title to all inventions arising out of the contract, the contractor is in the uncertain position of not knowing what rights, if any, he may subsequently acquire. This problem can be particularly acute where the contractor has a strong background position in the field of the research contract and is concerned about the loss of his exclusive background capability.

Mr. President, this is not a new problem. For the past 30 years, debate has flourished over the most appropriate policy for determining ownership of the products of Government-sponsored research. National commissions, interagency studies, and two Executive orders have failed to achieve the long-desired goal of a uniform Government patent policy. Typically, the debate, and any hope for substantial patent policy reform, becomes bogged down in the "title" versus "license" arguments. A hodgepodge of agency patent policies have been implemented over the years in the misguided belief that the "public interest" precludes the so-called giveaway of public ideas. While the argument on its face may be appealing to some, I believe the evidence is overwhelming that Federal policies have failed to operate in the real public interest. Ultimately, it is the entire Nation which suffers from these misguided policies by the loss of potentially valuable new products and processes.

Mr. President, today the Senate is considering a bill, S. 414, the University and Small Business Patent Procedures Act, which would go a long way toward restoring the incentives inherent in the patent system which have been stymied for the past 30 years. I commend the Senators from Indiana and Kansas for their able leadership and bipartisan support of this most important measure.

As a cosponsor of S. 414, I continue in my support of the basic policy and objectives enunciated in this bill. Moreover, I recognize that the stated purpose of the bill is similar to that of my own bill, S. 1215, the Science and Technology Research and Development Utilization Policy Act, which was referred to the Senate Commerce Committee. Our committee recently concluded 4 days of hearings on this bill and the subject of Government patent policy. The testimony we received during the course of these hearings from industry, business—both large, small, and medium size—and academia was overwhelming in support of a uniform Government patent policy that placed title in the hands of the contractor, subject to appropriate safeguards of the public interest.

In my opinion, Mr. President, S. 414 already contains the necessary provision to insure the protection of the public interest from possible abuses. Section 202 (a) of the bill would permit the Government to retain title to any invention in "exceptional circumstances" when it is necessary to promote the policy and objectives of the act. Moreover, in section 203 of the bill, the Government is authorized to "march-in" and require the contractor to license such an invention if the contractor fails to develop the invention or such action is necessary to alleviate health or safety needs.

It is my own belief that these provisions are adequate to insure that contractors do not utilize exclusive rights to substantially lessen competition or otherwise impact adversely upon the development of new technology. Nonetheless, I would point out that S. 414 does include an additional provision to provide for a return of the Government investment when the contractor has been successful in its commercialization efforts.

While I support the basic objectives of S. 414, I am concerned that the bill does not go far enough. As presently drafted, this bill would establish a uniform Fed-

eral patent policy for small business and nonprofit organizations. The bill would not extend the same rights to other Federal contractors. Undoubtedly, S. 414 would alleviate many of the special problems facing these important sections of our national R. & D. base.

Yet, the problems this Nation is experiencing in technological innovation go well beyond small business and universities which together comprise but a small percentage of all Federal contracts. We cannot afford to ignore that segment of private enterprise consisting of medium-sized and larger businesses which account for 80 percent of our federally-sponsored R. & D. effort, more than half of U.S. industrial employment, and 85 percent of U.S. exports.

Our amendment would allow all contractors, regardless of size or profit status, to acquire title to their inventions made under Federal contracts while retaining the structure and essential provisions of S. 414. This amendment is essential to achieve the widest possible application of Government-supported technology at a time of lagging innovation, stagnant productivity growth, and declining U.S. competitiveness.

Mr. President, I believe that the amendment we offer today is in the real public interest and is worthy of favorable consideration by the Senate as a whole.

I yield to the Senator from Illinois.

Mr. STEVENSON. Mr. President, how much time remains to the proponents of this amendment?

The PRESIDING OFFICER. Thirty-one minutes and 58 seconds.

Mr. STEVENSON. I hope that some of the time of the proponents could be charged to the opponents from here on. We have used up half our time already.

I say, in response to some of the comments of the Senator from Louisiana, that the world is not going backward. It is not standing still. It is changing, and it is changing radically, and it has changed radically since the last time the Senator held hearings on this subject.

We have had hearings in two committees. The distinguished Senator from New Mexico has been a party to many of those hearings and others that have examined the comparative position of the United States in the marketplace for technology.

I ask this question of the Senator from New Mexico: Which country is moving ahead now with the most advanced biotechnology, genetic engineering? That is one of the explosive areas for technology in the future. Does the Senator have an answer to that question?

Mr. SCHMITT. Unfortunately, it does not appear to be—at least in the future—the United States. A great deal of the innovative science has been done here; but because of uncertainties of patent policy and other uncertainties, it appears that Japan and the European nations are going to move much more rapidly in this area than we are.

Mr. STEVENSON. Our studies indicate that Japan already has moved ahead and that American technology is moving abroad, to Europe.

We have held hearings recently on communications, including semiconductors, microprocessors, and computer software as well as hardware. Does the Senator have any opinion as to which country is ahead, or moving ahead this year, not only with the development of this highest technology but also with the production facilities and the marketing structure?

Mr. SCHMITT. Unfortunately, the answer, again, is Japan.

Mr. STEVENSON. It does not take an expert—all you have to do is drive an automobile to form an opinion about the relative merits of automobile technology.

How about lasers? I know that the Senator has a keen interest in that technology, for the future. In fact, he has held hearings on it recently. Are we still keeping our lead in laser development?

Mr. SCHMITT. Lasers is an excellent example of where a great deal of new, innovative activity is being undertaken under Government contract. But if the current policy continues that technology developed outside the Defense Department will have a difficult time getting into our economy and very probably will be usurped by other nations that will recognize its economic potential and undertake to gather the information, which they can get freely in scientific conferences and other mechanisms in this open and free society we have, and begin to take that technology away from us, as they have done in many other areas.

Those who would oppose either the basic bill, S. 414, or its expansion to the larger portion of the economy are defending the status quo, and the status quo has not worked. It obviously has not worked.

Mr. STEVENSON. I ask the Senator about robotics and the most advanced manufacturing processes. Our rates of productivity are declining. In other countries, they are increasing.

Does the Senator have an opinion about the relative status of technology for the most advanced manufacturing procedures? Are we ahead of the world or is it moving ahead of us in this case, too?

Mr. SCHMITT. Once again, the Senator, I am sure, is aware of the answer. The rest of the world is moving and has moved rapidly ahead of us in advanced manufacturing techniques with the combination of microelectronics, to which he has referred, and new concepts of manufacturing and what he refers to as robotics. There is particularly a large effort in Europe, on small- and medium-sized machinery and large machinery of this kind.

All one has to do is to walk into the major manufacturing firms that recently bought equipment for manufacturing, and he will find where that equipment is coming from—from Europe and Japan. Very little of it is coming from this country.

Mr. STEVENSON. And they are developing fully automated manufacturing units, which they will sell worldwide and with Government support.

I could prolong this. We could discuss the materials of the future. We could discuss ocean-bed mining. However, I cannot identify, on the basis of recent hearings, any technology outside of military arms and with some exception for space, in which, by the end of this year, the United States will have a preeminent position in the world. At the end of this year, with those very limited exceptions, it will manufacture, produce, and sell nothing that is unique or of superior quality, and the rest of the world will continue to move ahead.

I ask the Senator another question: In these other countries, including Japan, West German, and others, which innovate and generally, run trade surpluses, steal markets the world over from the United States, and have higher levels of unemployment, lower levels of inflation, does the Government support the development and the commercialization of technology or does it get in the way, as the U.S. Government does?

Mr. SCHMITT. In every instance in which we are under severe competition from foreign manufacturing, we find that the Government and business have found a way to work together in order to capture those markets, to do the basic long-term research and development necessary to benefit these new markets, to bring the inventions to fruition in the commercial sector, and to market those inventions throughout the world.

The Senator is correct: There is a cooperative relationship in other countries which has ceased to exist in this country. The patent policy is one example of that, but it clearly is not the only problem we must face in Congress—and we must face it very quickly.

Mr. STEVENSON. If I may indulge the Senator's patience, let me ask one more question.

The very distinguished Senator from Louisiana mentioned Thomas Edison. If Thomas Edison were today conducting research which produced the electric light bulb, in his own little laboratory, with little expense but at Government expense, would he not, under this bill, receive title to his invention?

Mr. SCHMITT. The chances are under the bill he would receive title. The chances are under the present policy he would not unless he happened to be doing that for some reason for the Department of Defense.

Mr. STEVENSON. Let me ask the Senator, is Thomas Edison's counterpart, the researcher at his little laboratory today, conducting any of the research which we have mentioned, that is, producing the semiconductors, the computers, the biotechnological products, the lasers, and the automative technology of the future? On the whole, is it being conducted today by small businesses?

Mr. SCHMITT. They may be a few examples of where that is happening, but the major new innovative technologies of which we have been speaking take such an immense investment of capital in order just to conduct the research and the preliminary development that it is beyond the capacity of the small inventor. It does not mean that there are not some very important

things happening within small business and certainly within the university community. But much of what the Senator is talking about, if it is happening in this country at all, it is happening in the big research institutions that are associated with contractors and under Government contract.

Mr. STEVENSON. Frequently, it must be because of the magnitude, the complexity and the expense involved in the conduct of research at the cutting edge of technology in a highly developed world which did not exist a few years ago.

I thank the Senator.

Mr. LONG. Mr. President, will the Senator yield for a question at that point?

Mr. STEVENSON. Could we yield on the bill?

Mr. BAYH. Mr. President, I am glad to yield to the Senator from Louisiana if we run out of time.

Mr. LONG. Mr. President, will the Senator yield for a question?

Mr. STEVENSON. Just as long as it is not on our time.

The PRESIDING OFFICER. The Senator is recognized on the time of Senator BAYH.

Mr. LONG. Let me ask the Senator. Is he seriously contending that if Thomas Edison had been working for the Federal Government when he invented the light bulb and the Government had taken title to the light bulb no one would have built a light bulb because he could not reap the public monopoly profits?

Mr. STEVENSON. No. I am contending that under this bill, it would be, as it was, developed. But today Thomas Edison and his laboratory do not even exist. Today much of the leading research is done in institutions such as Bell Laboratories. And often it does not take place in Bell Laboratories. It takes place in Japan. It takes place in West Germany. It takes place in Moscow.

All one has to do is set foot on Constitution Avenue and he can see the results. He can go to the Finance Committee, which has jurisdiction over trade, and see the results also.

Mr. LONG. Mr. President, if the Senator will yield for a question, is the Senator aware of the fact that the United States right now, so far as I know, is ahead of the whole wide world in the area of agricultural research? Our agriculture is the most productive in the world.

Mr. STEVENSON. In terms of gross production, yes, if one wishes to get technical.

Mr. LONG. In terms of efficiency, in terms of what the farmer produces, is the Senator aware of the fact the United States is ahead of the world right now?

Mr. STEVENSON. The Senator is aware that many countries produce more food per acre than the United States. I am aware of the fact that gross production is high in the United States and much of that production is owing to Government-supported research.

Mr. LONG. The point I am getting to is that we produce more per worker than any nation anywhere in the world. We have better machinery and better agricultural machinery than anyone else. Generally we are just ahead of the whole wide world in agriculture. I wonder if the Senator knows that. I wish to ask him if he does know it.

Mr. STEVENSON. I think that is, in general, true, but it is not that simplistic.

Mr. LONG. Is the Senator aware of the fact that most of that occurred under Government research programs without private patents?

Mr. STEVENSON. No, I am not aware of that. We have held some hearings on it in the past. I think some of it originated in land grant college research with Government support. Much of it originated in USDA laboratories and was transferred free of charge, and we should continue with successful arrangements of that sort.

Mr. LONG. The point is we are ahead of the whole world in the area and we got there without giving away patents on any research financed by the Federal Government. Is the Senator aware of the fact that the law does not permit the Department of Agriculture in its research programs to give away private patents?

Mr. STEVENSON. And under this bill it would be permitted to do so.

Mr. LONG. Why? Can the Senator show me anything, just anything that has been developed under any of these research programs that is not being developed because someone cannot get a private monopoly patent on it?

Mr. STEVENSON. The Senator does not recognize that the production of soybeans, with which I am familiar, is a little different from the production of computers, let alone the most advanced aircraft, let alone the genetic engineering which could do more than anything that has already been done to increase agricultural production. The Senator is looking backwards. Senator SCHMITT and I are suggesting that, like the Japanese, we start looking to the future. Our welfare in this world does not depend exclusively on our ability to produce food. The most undeveloped countries can produce food and, like Japan, they can produce it more efficiently than we can. They do. I have been there and have seen their technology. It is primitive but they produce more food per acre. Instead of looking back to the production of corn and soybeans, which are of vital importance, we should be looking to the future and new ways of producing items that incorporate high technology, including technologies that will enhance the production of food.

Mr. LONG. Mr. President, if the Senator will yield further, it has always been my thought that the secret of the high standard of living that we have here in the United States is our competitive free enterprise system.

I cannot look upon the free enterprise system as being very free when it is a monopoly and others are not free to compete, and I would like to ask the Senator is he really seriously contending we will make greater headway under monopoly than we will under competition.

Mr. STEVENSON. Under our system, which is not so free, standards of living now are declining, and they are declining because we are not competing effectively, and we are not competing effectively because we are up against systems in other countries which we do not regard as free.

Mr. LONG. Mr. President, will the Senator yield for a question at that point?

Mr. STEVENSON. Let me answer. In those other systems the governments support research and development and the commercialization of technology. They support subsidized development of facilities for the manufacture of goods. They even subsidize their marketing. That is what we have to compete with. They are not going to change their rules and adopt our rules however neatly packaged they are with labels called free enterprise.

You may think it is great. They think we are stupid. I am saying to you, Senator, that you can invoke, as we do, all of these old myths about free enterprise and we will continue to sink. We had better start looking to the future and start developing new ways of competing even if it involves the Government.

If I can go back to the Senator's example, the most competitive industries of the United States, including agriculture, but also including aerospace and computers, are those which have benefited the most from Government support.

Now we are suggesting that we just get the Government out of the way and let private enterprise work. It is not working and it will not work as effectively as it could as long as the Government effectively prevents those who are frequently the most capable and willing from using the technology that flows from Government-supported inventions.

(Mr. TALMADGE assumed the chair.)

Mr. LONG. Mr. President, if the Senator will yield further, let me just ask the Senator: If we assume at Government expense someone develops something that is very good, worth hundreds of millions of dollars for a private patent, would it not seem fair that in view of the fact that the taxpayers have paid for this that anyone should have a right to come in and propose that he be permitted to compete in producing a product? What is wrong with that?

Mr. STEVENSON. That is a great theory, but unfortunately, it has no value in practice, and that is why the country is sinking. The $100 million investment does not materialize and, therefore, the taxpayer pays for it but never gets a benefit from it nor does the consumer nor the entire economy.

It is a great program for Japan. It is a Japan-first program. It is a continuation of what we are doing in some agencies. We also have other agencies which have a reverse policy and do stimulate innovation and, therefore, a return to the taxpayer. The taxpayer does not get a thing from an invention that goes unutilized.

Mr. LONG. Let us just assume for the sake of argument that somebody is interested in developing that bunch of junk over there to which reference has been made, a bunch of patents in which nobody has any interest, they do not think they can make any money out of it and, therefore, they have not made any application to use it.

Let us assume for the sake of argument that we should just say, "All right,

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all that stuff will be made available on a monopoly basis to anyone who wants a monopoly on this, provided, if he asked for a patent monopoly, if somebody else wanted to produce the same thing on a competitive basis and make it available to the public he ought to have an opportunity to make an offer as well."

Why should we not have that right to make a better offer?

Mr. STEVENSON. It is wonderful if it would work, but that is the policy now, and it does not work. If you want to see what works, you can go to Japan and also to the Department of Defense.

Mr. LONG. Mr. President, it somewhat surprises me, and I would like to ask the Senator if it is correct, that he is of the view that the Japanese are making headway not because they are working like a bunch of beavers but because they are organized in a more monopolistic fashion than we are. Is that the Senator's argument?

Mr. STEVENSON. No, that is not correct, and I do not think we should oversimplify the comparisons. Certainly one of the bases for harder work, more innovation, is a greater incentive to work. That is what we are suggesting here, to provide an incentive to contract with the Government, to improve the quality of work for the Government, provide to innovate, and to commercialize. It does not materialize when the Government gets whatever rights there may be and then does not utilize them or let anybody else utilize them, and by the time you get through the redtape nobody is willing to try. That is what is happening.

Mr. LONG. No, I ask the Senator, why is it that with all these defense contracts, and one would like to have private monopoly rights on them so they can charge 50 times what it takes to produce a product and have no competition in doing that, and all those private contracts are asking for monopoly rights on Government research, why is it after all this time and asking them to provide an example, why can they not present one example that here in the United States was a great thing that would have been developed and would have been put into operation except for the fact that to do that you had to give somebody a monopoly and this Government was not in position to give somebody monopoly rights on that invention? Why can they not produce one example after repeated challenges for the last 20 years before the committees? I know every time I was there I asked it. Why is it they cannot produce a single example to support their case after all these years?

Mr. STEVENSON. Well, we can if you want examples, although you are asking us to prove the negative. But if you just want an example: The video tape recorder technology came from the space program, as I recall, but the equipment is all produced in Japan or under license from Japan. Critical wing technology appeared on Russian aircraft before it appeared on American aircraft.

Mr. LONG. Russia does not give away patent monopolies. How can the Senator explain the fact that Russia did it? They cannot give away patent monopolies out there.

Mr. SCHMITT. Mr. President, if the Senator will yield, it is because they took it from us. We could not get it commercialized.

Mr. LONG. You would say that someone in Japan if he had a patent monopoly he would develop something? What can you give as an example?

Mr. SCHMITT. It is happening every day. If the contractor has title and if he does not——

Mr. LONG. I believe I have the floor.

The PRESIDING OFFICER (Mr. BRADLEY). The Senator from Louisiana has the floor.

Mr. LONG. The Senator wants to contend that here is something we knew about and the Russians knew about, and they did something about it and we did not. He takes an example of the Soviet Union, when the Soviet Union does not even have free enterprise, much less patent monopolies, so that the whole thing is in the public domain as far as the government over there is concerned. This would tend to prove my point rather than his.

Sure, you may find something the Russians would do that we would not do. But the Senator has referred to about 30,000 patents over there that nobody is interested in; the Senator said that, in order to develop those patents, we have got to give private monopoly power on things yet to be invented. My reaction to all that is you just find any one of that pile of junk and see if you can find somebody willing to develop it, and if you can, I would be glad to go along and support legislation and say that here is somebody who would like to develop something and he is ready to make us the best offer. If so, OK, let us permit him to have it. What is wrong with that?

Mr. SCHMITT. Mr. President, if the Senator will yield. If you will let me get title to it in a timely fashion, I will show you a whole bunch of things to develop.

Mr. LONG. I challenge the Senator to show me one. You are the man who conducted the hearings and you are interested in this subject matter, and you have been involved in this for 14 years, so tell me one——

Mr. SCHMITT. Show me one where you can get title and you can have it exclusively. The whole concept is in the U.S. Constitution, and you, sir, have been arguing on this floor against the idea of the patenting of intellectual property. It is built into the Constitution.

Mr. LONG. My position is very clear. If someone spends his money and develops something at his expense he is entitled to apply for a private patent on it, and the law so provides. The Senator says the Constitution mentions it, and perhaps so, fine, that is great, and it says Congress may provide patent laws.

So we have the right to convey the private patent to someone who does the research and provide who gets it and who does not get it. Now, I am not complaining about that. But I do not believe it ever occurred to anybody, when we started in this endeavor, that the Government would pay the taxpayers' money to develop something for the benefit of the public, and then some person would be permitted to have a monopoly on something that belonged to the public when everybody else wanted it.

In fact, I think that the idea of a research contract on a cost plus guaranteed profit basis, where the contractor would be permitted to keep it, would be unheard of at the time that this Government was founded.

Mr. President, let me give you an illustration of what that would be like. That would be just as though you permitted someone, at Government expense, to have a contract to build a highway and then, having built the highway, that person were permitted to own the highway. Own it; to put tollgates all up and down it.

The interstate highway system, for example, he could put a tollgate on it and charge everybody to go past his tollgate to use the highway. That is exactly the same thing.

He had a guaranteed profit every step of the way. No way he could have lost any money. He could have lost some money on that highway, but he could not lose any money on these research contracts. No way he could lose money. Having done the work and been guaranteed the profit, then you are going to let him own the highway. And if you are going to let him own it, why does the public pay for the highway?

Mr. SCHMITT. Mr. President, the Senator knows that it has no relationship whatesoever to patents.

Mr. LONG. I fail to see the difference. Here is something the public bought and paid for. They paid for it with their hard-earned money. They paid for it to the tune of hundreds of millions and even billions of dollars so he can get rich at public expense.

Now, the public has paid for it once. You are going to make the public pay for it a second time, a third time, a fourth time, and a fifth time.

I want to be charitable to the Senator. I know he is sincere and I would not want to reflect on him at all. But, as they say in Kentucky, that is what makes horseracing—a difference of opinion.

In my opinion, that is stealing. Stealing. It belongs to the Government. It belongs to the 200 million people that paid for it.

Now, here is some guy who did not invent it; he was paid as a Government contractor to go hire someone to do it. The other man did the inventing. The guy who did the inventing does not get it. This guy who got himself in a position with a guaranteed profit gets paid a guaranteed profit and then, by the time it is all over with, the people having paid for it do not get any benefits, because you give away monopoly rights to the person who gets it.

I hope that the Senator is not contending for one of these more ridiculous giveaway bills where, when he gets the patent, he not only has a right to exploit the thing and reap the harvest but, in addition to that, he has a right to deny the public the use of it completely.

Mr. SCHMITT. Will the Senator yield?

Mr. LONG. Yes.

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Mr. SCHMITT. No. 1, that is the whole concept of the monopoly rights that are in this bill and should stay there, so that an owner of title to a patent does not have that opportunity. And there is nobody suggesting that that should be changed.

What the Senator from Louisiana is suggesting is that the public should be denied the benefits of the research that is being paid for by taxpayers' money. That is what is happening today.

If the Senator likes the policy of today, then he must defend it. It is not working. Almost everybody testifying before our committee, and almost everybody who has written on this subject knows that present policy is not working and the Senator is defending present policy.

Mr. LONG. Mr. President, I am not defending what they are doing over there at the Department of Defense, where they are giving away monopoly contracts on Government research. I am not defending that. I always thought that was wrong.

I went over and told John Kennedy, when he was President, "You ought to stop that." He had the power of the President of the United States to sign executive orders to stop that giveaway and he ought to stop it.

Mr. SCHMITT. At least the public is receiving benefits from research that is being done from the Department of Defense and other agencies are not getting the benefit.

Mr. LONG. The Senator has been challenged to produce one single example and he has not been able to produce it. I would be glad to keep this debate going long enough for him to go through that whole file of 30,000 patents sitting over there that he says have been developed to see if he can find something and make a convincing case that this is something that would have been developed. But you have to give somebody a private monopoly right in order to develop it and you cannot do that under the law. That being the case, "Sorry, but it can't be developed, so let's let somebody develop it."

Now, if the Senator can find one out of the whole 30,000 he refers to, then, in that case, the Senator from Louisiana would be willing to go along with him and say, "All right, let's say that that one can be parceled out to just anybody who would like to get involved in it and just let him have monopoly rights. Because it looks like nobody wants to develop it, so he can have it."

But when you really get down to saying who ought to have these monopoly rights, Mr. President, in terms of equity, if you are going to give away something that belongs to Government, you could make a better case, or just as good a case, if you want to just give something away, to say that the scientist, the engineer who actually did the developing, should be permitted to have the monopoly rights, because he is the guy that invented it.

I have not read that amendment, but I have seen these things enough around here to know how it probably works. And if it works the way these other patent giveaway bills have worked down through the years, it would say, "Oh, no, the man that really invented it can't have it. All he is going to get is the same little salary he had anyway." Oh, you might give him a bonus or a watch, or maybe even some little token of recognition for what he has done. But that fellow, he does not get it.

The man who gets it is the fellow in between that had this guaranteed profit. Under the Senator's amendment, for example, it is the big business applicant who gets it. It is not the little guy who did the developing.

I talked to a scientist who worked for one of these big companies on airplanes. He told me that when he went to work for that company he had to sign a contract that anything he invented, or anything that he thought of when he was working for that company, belonged to that company.

He said that it did not seem quite fair to him but, after he had thought about it, he realized, after all, "I didn't have to take this job. And if I want this job, I'm going to have to sign that contract and give away all the fruits of my research and my intellect and my education." And he signed the contract because, otherwise, he would not have the job.

But he said, "But, now, if that logic applies to me as an inventor and as a scientist, why shouldn't it apply equally to that guy that made me sign that contract? I am working for pay. That company is working for pay. Now, if that company is working for the Government, most of us in science know, we are sophisticated enough to know that if that guy is a contractor for the Government and I am working for him, my ultimate employer is the 220 million people of the United States. So that if I am not going to get the right to exploit a private monopoly patent on something I invent, why should that guy get it? He has been paid for what he did. All he did was just organize this deal and be the middleman and hire me. But I am the guy who invented it and I am not going to be permitted to keep it. All I am going to be permitted to do is be paid for the work I did. Why shouldn't he be held to the same limitation that applies to me? He has been paid and I have been paid. I am not going to be able to have a private monopoly patent and get rich and he shouldn't be able to further enrich himself on that."

That is the logic that applies in this type situation, as far as the Senator from Louisiana is concerned. I have discussed this matter on the floor down through the years. I have not had an opportunity to discuss it or to attempt to educate the Senator from New Mexico about it, but I have made my views known to the Members of the Senate on occasion that the Government should spend large amounts of money in developing knowledge. But when we develop that knowledge, it ought to be freely available to all Americans.

It should not be limited only to a few, claiming the fellow who got the advantage or somebody who comes up here saying, "give this to me."

I was present when Admiral Rickover appeared before the committee, one of the committees on this matter. Admiral Rickover undertook to say that this thing is a giveaway, it is a rape of the public interest, in so many ways. So he was challenged with, "Well, how can you explain all these contractors, all these wealthy people, all these big corporations, coming in here asking us to give away the Government's patent rights on the Government's research, to give them monopoly rights on something that belongs to the public?"

I recall what the admiral said at that particular hearing, the only day I was able to attend it. He said, "Senator, the only difference between those people and me is that they are after something. They want something at the taxpayers' expense. They want something at the expense of 230 million people. They are up here trying to get some advantage, some special handout. Can you not understand that? In my case, I am not up here asking you to give anything. I am up here trying to protect the public interest, trying to protect the 230 million people who seem to have been ignored at these hearings up to now."

I think that is right.

That great officer, Adm. Hyman Rickover, handled the development of the American atomic submarine. When he had that job, he put us out in front of everybody else. He testified before us down through those years that there was never any problem about finding someone to take one of these contracts. In fact, I recall him testifying before the committee that until he was asked to come up there as a witness, he was not aware of the fact that there was any problem. The fact was that he was privileged in the area of atomic energy to give away patent rights which were in the public domain. He did not know there was a problem at all until someone asked him to come and testify before the committee.

Since that time, the officer has looked into this matter further and the more he has looked at it the more it has caused him to conclude that the public interest was not being protected, and that you really should not give these patents away at all. But, if you are, you could find a far more desirable approach calculated to protect the public interest than what we had there.

In due course, Mr. President, I suppose I will make reference to the statement that Admiral Rickover made on this subject because I think it deserves to be heard. It should be given to the Senate.

Mr. President, I am prepared to yield the floor at this time. If other people desire to speak, they can be heard. Otherwise, I will suggest the absence of a quorum.

Mr. SCHMITT addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. SCHMITT. Mr. President, the public interest has been protected to death by present law. With all respect to the long involvement of the Senator from Louisiana, and to the distinguished Admiral Rickover, to whom he referred, they are pretty much alone in recom-

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mending a continuation of the status quo. That status quo is not working. It is my understanding that the Senator from Louisiana also is opposed to the bill that we are trying to amend, not just to our amendment.

Mr. President, the justification for the expansion of S. 414 to cover medium and larger businesses who are contractors to the Government, is still very, very good.

In a recent "Dear Colleague" letter that the sponsors of S. 414 put out in opposition to Senator STEVENSON'S amendment, one of the grounds that they gave in opposition was that small business is discriminated against and this would further that discrimination.

Mr. President, I agree that small business does have very special problems, and in the instance of the tax structure and the regulatory structure of this country they are discriminated against. As a member of the Small Business Committee and other committees, I hope that we can begin to do something about that.

However, we should be very careful that we not penalize medium size and larger businesses in order to address a problem that is not a problem of patent policy. Current patent policy penalizes all businesses equally. Unfortunately, S. 414 would further the discrimination to patent policy by requiring small businesses and universities to pay recoupment which would not now apply to big businesses that receive title through some other policy to patents developed under Government contracts.

The Stevenson amendment would eliminate that discrimination by applying recoupment across the board when title is in the contractor.

It has also been stated by the opponents of this amendment that this might result in antitrust violations.

The Justice Department position on uniform patent policy has changed and, in fact, it is my understanding that they support the administration's proposals for a Governmentwide patent policy different from that proposed in S. 414 or by the Stevenson amendment, but, nevertheless, which would provide exclusive rights to patents. Not title, but exclusive rights in the field of use.

There are problems with that concept which I will not get into today, but, nevertheless, it appears that the Justice Department has overcome any questions they may have had with respect to antitrust issues on this matter.

Maybe the most unfortunate argument that is put forward against this amendment is that it would be anticompetitive to small business. There is no evidence, Mr. President, no data, or other information, developed in our hearings or any other of which I am aware, that would support this claim. Experience would clearly indicate it is not a problem. The Justice Department apparently no longer believes that this is true since it supports the administration's bill, as I indicated earlier. S. 414 contains march-in rights which would guard against this possibility of anticompetitive behavior.

Patents cover only an infinitesimal area of technology and not something of the scale described by the Senator from Louisiana an often unfortunate misconception of what patents are all about. The patent clearly was designed by our forefathers in the Constitution to act as an incentive for the inventor to commercialize and, indirectly, it can be assumed to be an incentive to competitors to come up with alternatives to that patent.

The most thorough independent analysis of this issue was conducted by Harbridge House in 1969 and recently updated by the Department of Energy. They concluded, and still conclude, that there has been "little, if any, anticompetitive effect from contractor ownership of inventions."

I ask unanimous consent to have printed in the RECORD at this point testimony given by Mr. James Denny, Assistant General Counsel for Patents, which covers this issue very well from the perspective of the Department of Energy on the question of whether there are anticompetitive aspects of granting title to the contractor. His conclusion, as I have indicated, is that there is not.

There being no objection, the testimony was ordered to be printed in the RECORD, as follows:

STATEMENT OF JAMES DENNY, ASSISTANT GENERAL COUNSEL FOR PATENTS

In any debate on this policy issue, one always hears charges of windfall profits going to Government contractors, concerns expressed regarding Government give-a-ways, suggestions that valuable technology is either being suppressed by industry or utilized in an anti-competitive sense, and beliefs that making inventions available to all through Government ownership will achieve widespread commercial use. Government supported studies, however, have found no basis in fact for these charges, concerns, and beliefs. Approximately 10 years ago, the Federal Council for Science and Technology supported the most comprehensive study ever conducted on the issue of Government patent policy—commonly referred to as the Harbridge House Report. This report made the following findings:

Government ownership with an offer of free public use does not alone result in commercialization of research results;

The commercial utilization rate of Government-generated inventions was low (approximately 12 percent), but that the rate doubled when contractors with commercial background positions were allowed to keep exclusive commercial rights to the inventions;

Windfall profits do not result from contractors retaining title to such inventions; and

Little, if any, anti-competitive effect resulted from contractor ownership of inventions because contractors normally licensed such technology, and where they did not, alternative technologies were available.

In our effort to complete the report to Congress on the issue of mandatory or compulsory licensing, DOE recently funded an additional study with Harbridge House which is presently under analysis. This study shows that there are few, if any, adverse effects resulting from enforcement of exclusive patent rights, and, in fact, indicates some stimulation of research occurs when exclusive rights are enforced. Accordingly, this data seems to reinforce the original study which found no anti-competition effects when exclusive rights were left with the contractors.

Mr. SCHMITT. Mr. President, I conclude by submitting that the arguments made against extending this policy more broadly than to just small business and universities just do not hold up. If we expect to have this country moving again in technology and productivity, in exports and our general economy, we are going to have to move, not only in this area but in many others, to supply the incentives in the free enterprise system to all inventors to commercialize and utilize their products so that the taxpayers can benefit from their investment.

The taxpayer literally is not benefiting today from those investments except where title has been waived. I shall be happy to take an extended period of time, if Congress would so authorize, to take these 30,000 patents and see which ones, if granted exclusive title, the industry would pick up. Unfortunately, the present policy generally is not to grant exclusive title, so they do not use them.

Mr. President, I yield the floor to the distinguished Senator from Rhode Island.

The PRESIDING OFFICER. Who yields time?

Mr. SCHMITT. I yield a minute of our time.

Mr. CHAFEE. I thank the Senator very much.

Mr. President, as a cosponsor of S. 414, the University and Small Business Patent Procedures Act, I rise in strong support of the measure.

This legislation would: First, establish a uniform Federal patent procedure; and second, create a consistent policy and procedure concerning the patentability of inventions made with Federal assistance. It will, in my judgment, vigorously encourage the development and utilization of inventions arising from Government supported university and small business research.

The problems addressed by S. 414 are clear and disturbing. The Federal Government, which cosponsors research that leads to hundreds of valuable technological discoveries in such fields as medicine and energy, lacks the resources to develop and market a product. Yet, the Government, in most cases, retains patent rights to those discoveries and is unwilling to relinquish them. This situation discourages private industry from investing the money necessary for product development.

As many of my colleagues are aware, the Office of Patents and Trademarks is encountering severe difficulties. The case-by-case review of each patent application has resulted in lengthy delays.

These delays have caused the United States to fall behind in its traditional role of international leadership in technological innovation. The number of patents issued each year has declined since 1973, while the number granted to foreign concerns has increased to 35 percent of all patents filed in this country.

Mr. President, we now have a situation where less than 4 percent of 30,000 patents held by the Government have been successfully licensed. These circumstances act as a significant deterrent to the participation of many of our country's leading scientists in high-technology industries.

More importantly, the absence of any incentive for commercial development in these areas costs the United States an

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inestimable amount of potential revenue. In 1979, we suffered a $24 billion deficit on the importation of foreign manufactured goods. This growing deficit partially reflects stunted American technological development.

The ability of small businesses and universities to obtain patent rights is essential to the stimulation of private-sector interest in product development. This bill, S. 414, will enable them to obtain limited patent protection, if they spend the additional private resources necessary for commercialization.

From my own State, Rhode Island, the presidents of Brown University and the University of Rhode Island have written me in strong support of this measure.

Mr. President, I want to emphasize that small businesses, particularly, would benefit from S. 414. Currently, less than 4 percent of the Federal research and development expenditure is directed to small businesses. The major reason that many innovative small companies have avoided Federal grants is the uncertainty over whether or not they will be allowed to retain the patent rights on resulting inventions. The University and Small Business Patent Procedures Act would end this uncertainty.

I commend the distinguished Senator from Indiana (Mr. BAYH) and the distinguished Senator from Kansas (Mr. DOLE) for their leadership in this area and I urge my colleagues to support the bill.

Mr. President, I thank the Senator from New Mexico.

Mr. LONG. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Indiana has 28 minutes and 31 seconds. The Senator from Illinois has 11 minutes and 51 seconds.

Mr. LONG. Mr. President, since the Senator from Indiana is not here, I assume I have the right to use the Senator's time.

I see he is here. I should like to have an additional 6 minutes.

Mr. BAYH. Mr. President, I yield 6 minutes to the Senator from Louisiana.

Mr. LONG. Mr. President, the Senator has made reference to the fact that the Constitution states that Congress would have the right to pass legislation conveying patents. As a student of the Constitution, it seems to me that that clearly has to do with the general traditional concept that when a person does the inventing at his own expense, as an incentive for innovation and an incentive to make invention, that person could be permitted to have a private patent on something that he invents that will be of patentable novelty. That is how the patent law has worked for many years.

Mr. President, I honestly doubt, and I would challenge the sponsors of the proposal for private patents of Government research to find anywhere, in the history of the Constitution, where the Founding Fathers ever conceived of an idea where the Government would pay for all of this, that the Government would pay citizens money for the research, and then give away a private patent monopoly to anybody, be it a contractor or anybody else, so that that person can exploit the public in the use of something that the people have paid to invent.

Mr. President, the idea of public taxation for private gain is contrary to every concept of democracy. In a democracy, you are not supposed to tax the people for the private advantage or the monopoly advantage of the few. That is what we would be doing, Mr. President, if we said that we shall give General Motors a contract, to let them invent something of tremendous benefit to the public, pay them a guaranteed price, then, if they find and develop something worthwhile, give them the right to charge the public through the nose to pay for something that has been developed at public expense.

The Atomic Energy Commission was established during World War II—at least, the Manhattan Project, which led to the Atomic Energy Commission. At that time, Congress very wisely realized that here we were going to develop a whole new source of energy which might make all other energy obsolete.

So Congress provided that there would be no private patent monopoly on any of this atomic power. We developed the atomic bomb, we made the first explosion, we led the world in developing the atom. In doing so, no one was permitted to have private patents.

Now, other nations were engaged in this endeavor at the same time we were working at it. Germany tried it, and perhaps others, but the United States led the way. The United States not only went out front, but stayed out front, year after year, in the people's use of atomic power in situations where the Government did not give any patent rights to any group to exploit the public.

When the public has paid for the research, the public is entitled to the benefit of it. And some of this stuff does not come cheap, Mr. President. This Government is spending, has spent, and will continue to spend many billions of dollars on research. That being the case, the public is entitled to the benefit of it, and they should not have to pay anybody, be it a fine organization like General Motors, a credit to the free enterprise system, or a small business, Mr. President, for the benefit of that for which they have already paid.

They have paid for it once. They have paid for the research, they have bought the research. They bought the right to use all of it, however the public should desire.

Then to suggest, Mr. President, that the people of this Nation should not have the unfettered use of it, but that, instead, it would be given away—literally given away—as some Government favor, on any basis, I do not care where it is the contractor, the engineer, or anybody else, is contrary to the concept that, in a democracy, the people are entitled to have the benefit of that for which they have paid.

The PRESIDING OFFICER. The Senator's 6 minutes have expired.

Mr. BAYH. I yield 2 more minutes, Mr. President.

Mr. LONG. So, for us to suggest now that all of these billions of dollars will be spent, and then people will be permitted to make a fortune out of it, at the public expense, Mr. President, is contrary to everything that dedicated public servants ought to be working for, in my judgment.

Admiral Rickover gave us an example that would cause anyone to take pause about some of this.

He told us about a family of doctors who first developed the forceps to help in childbirth. A very simple invention, but it saved the lives of many mothers, and it saved the lives of many children.

Those people kept that in their family for generations. They were preeminent in the field of childbirth because they had these forceps, and they worked. They kept it a secret in the family for generations.

Think of the needless suffering that occurred. Think of all the mothers and children who died because these people, having this knowledge, were unwilling to share it with their fellow man.

The PRESIDING OFFICER. The Senator's 2 minutes have expired.

Mr. BAYH. I yield the Senator 2 more minutes.

Mr. LONG. But, Mr. President, at least, these men developed that themselves. They did not develop it at the taxpayers' expense.

But here we have a proposal that someone who is a beneficiary of a contract, usually they make proposals to the Government, but they do not have to bid on a competitive basis, or necessarily have to be able to prove that the Government is going to get more, putting the money with this contractor or that contractor. They come in here and have been given a favor when they are selected to be the contractor, to begin with.

Most of these contracts call for a guaranteed profit. So, that they get this contractor with a guaranteed profit to do the research. Then, having developed something that conceivably can be of untold benefit to all citizens, to make the citizens of this country pay over and over and over again for developing something, when they paid for it to begin with, is contrary to every concept of justice and fairness in the law.

Mr. President, I wish the sponsors of this legislation, who would contend we cannot get people to develop something, we cannot get them to take this Government research to do something because the contractor cannot have monopoly rights, I wish they would go down and do some research to try to prove a single case, just one, to prove their point.

I would be glad, Mr. President, if they could produce it, to join with them in saying that anybody, whoever they would like to give it to, can have it, no cost, just give it to him, I would be glad to help them do it, but they cannot produce a single example.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. BAYH. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

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Mr. BAYH. What is the time situation?

The PRESIDING OFFICER. The Senator from Indiana has 18 minutes and 10 seconds. The Senator from Illinois has 11 minutes and 51 seconds.

Mr. BAYH. Mr. President, the distinguished Senator from Louisiana has been very articulate, but we have some others who would like to have time if he is through.

Mr. LONG. I am finished.

Mr. BAYH. Mr. President, I yield 10 minutes to the Senator from South Carolina.

Mr. LONG. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LONG. Mr. President, have the yeas and nays been ordered?

The PRESIDING OFFICER. The yeas and nays have not been ordered.

Mr. LONG. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from South Carolina.

Mr. THURMOND. Mr. President, I rise in opposition to the amendment offered by the distinguished Senators from Illinois and New Mexico, Mr. STEVENSON and Mr. SCHMITT.

I do so reluctantly because the amendment would extend the new patent policy procedures of S. 414 to a broader range of American industry. The United States is now losing the technological battle. Japan and Western European nations are fast becoming the world leaders in technological advancement. Senator SCHMITT's amendment would go a great step forward in once again making America the No. 1 inventor and innovator in the world.

Mr. President, our current patent policy is not serving America's needs. It is a policy that frustrates innovation and new technological advancement. Almost 30,000 patents, created through Government grants, rest unused in the Patent and Trademark Office. The Stevenson-Schmitt amendment could help reverse that situation. I am sympathetic to it, but cannot support it as an amendment to S. 414 at this time. There are several reasons for my opposition.

First, as I understand the situation, any expanded coverage of S. 414 will result in its being killed in the House. Any delays would not help the chances of S. 414 getting passed this year.

Second, I am told there are still unresolved issues surrounding the original Schmitt bill, S. 1215, which is pending before the Senate Commerce Committee. Therefore, I think it would be better for the Senate to consider a bill that has been fully discussed and considered in committee.

Finally, Mr. President, I have generally taken the position that the committee system should be respected whenever possible. There are occasions when events move so swiftly that time is of the essence. But in this case there seems to be ample time for the Commerce Committee to consider Senator SCHMITT's legislation this year and report it to the Senate floor. I believe this would be the best way to proceed in this particular case.

Mr. President, for these reasons I am opposed to the Schmitt amendment.

Mr. President, I ask unanimous consent that the Senator from New Hampshire (Mr. HUMPHREY) and the Senator from Minnesota (Mr. BOSCHWITZ) be added as cosponsors to S. 414, the University and Small Business Patent Procedures Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 961

(Purpose: To provide for clarification of a "party" to a funding agreement)

Mr. THURMOND. Mr. President, the distinguished Senator from Utah (Mr. HATCH) has been delayed on his way back to Washington, but has an amendment he would like to offer to S. 414.

The amendment would only clarify the use of the word "person" in section 201 (b) and would make no substitute change in the bill.

This amendment has been agreed to by the majority manager of the bill (Mr. BAYH).

Mr. BAYH. Mr. President, if the Senator will yield, I have no objection to this amendment. That is a perfection of the bill at large.

I do not know what the parliamentary procedure is, but I have no objection to accepting it.

Mr. President, I ask unanimous consent to revise the bill and incorporate therein the modification proposed by the Senator from South Carolina for the Senator from Utah.

The PRESIDING OFFICER. It would take unanimous consent to set aside the pending amendment and adopt another amendment.

Mr. BAYH. Mr. President, I ask unanimous consent that the present amendment be temporarily set aside, that the Senator from South Carolina's amendment, proposed for the Senator from Utah, be incorporated in the original text of the bill sponsored by the Senator from Indiana, the Senator from Kansas, and a number of our colleagues, be accepted therewith by the Senate, and that we return to the pending business, which is the amendment of the Senator from Illinois and the Senator from New Mexico.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the amendment.

The assistant legislative clerk read as follows:

The Senator from South Carolina (Mr. THURMOND), for the Senator from Utah (Mr. HATCH), proposes an unprinted amendment numbered 961:

On page 27, line 5, strike out "person" and insert in lieu thereof "contractor".

On page 27, line 13, insert " ,"small business firm or nonprofit organization" immediately after "person".

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. BAYH. Mr. President, I ask unanimous consent that Mr. Allen Neece, of the Small Business Committee, have the privilege of the floor during debate on this bill and amendments thereto.

The PRESIDING OFFICER. Without objection, it is so ordered.

● Mr. NELSON. Mr. President, I congratulate my distinguished colleague from Indiana for the fine job he has done on S. 414, the University and Small Business Patent Procedures Act of 1979.

When Senator BAYH and I introduced a series of patent law reform bills last year, we did so in specific recognition of the problems being created by the current maze of patchwork patent arrangements and in particular, of the problems these arrangements are creating for small business. The bills we introduced, S. 414, the University and Small Business Patent Procedures Act; S. 1679, the Patent Law Amendments Act; and S. 2079, the Independent Patent and Trademark Office Act, would go a long way to correcting problems in our patent system. Both S. 414 and S. 1679 have been incorporated as a key part of S. 1860, the Small Business Innovation Act which I introduced last year and which is cosponsored by 20 of my colleagues.

The University and Small Business Patent Procedures Act allows small business to retain exclusive patent rights on inventions made under federally supported research. The Patent Law Amendments Act enables the Patent and Trademark Office to arbitrate patent disputes and thereby reduce the cost of patent reexaminations from an average of $250,000 per case to $1,000. And, the Independent Patent and Trademark Office Act, creating an independent Patent and Trademark Office would help make that office more responsive to patent needs in the modern era. According to one former Patent Commissioner, "dry rot" has set in at the PTO. Making it an independent office would help correct that problem in that the President and the Congress would directly assess its technical and personnel needs.

Hearings held by the Select Committee on Small Business have repeatedly shown that small companies have an impressive record as sources of bold, new innovations. There are untold economic benefits if we can foster innovation among small businesses. For example, in the period of 1969 to 1974, a series of small firms experienced sales growths of 42.5 percent—roughly three times as great as their larger counterparts. Their employment in that period grew by 40.7 percent—almost 10 times the rate of large innovative firms and some 65 times as much as large, mature firms. Small firms have a special role in securing for society the benefits of technological innovation, particularly as it affects our falling rate of productivity and our balance-of-trade deficit.

However, while a National Science Foundation study shows conclusively that smaller firms were responsible for half of all major industrial inventions since World War II, these firms received only 3.4 percent of Federal research and development money. This, in spite of the fact that small firms produced 24 times as many major innovations per research dollar as did large firms.

Small, innovative firms are being

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placed in the middle of a closing vice. They receive an inadequate and disproportionate share of Federal research and development dollars, they are being strangled by unnecessary regulations and a prohibitively costly undependable, inequitable patent system, and are being starved of necessary venture capital.

In Small Business Committee hearings witnesses have repeatedly pointed out that one of the greatest discouragements to small, innovative concerns interested in participating in this research effort are current Federal patent policies. These policies require small businesses seeking Federal contracts to give up patent rights to discoveries made while doing federally sponsored research.

In addition, these policies can require small businesses to relinquish their "background rights," which consist of privately financed patents or other information relating to the invention made under Federal contract, to competitors who later work under Federal research and development programs. This constant threat is a very serious one to the innovative small business which is trying to compete in the marketplace against large corporations. Technological edges are the one advantage that small companies have, and when they are forced to license work products to competitors, their ability to successfully compete can be jeopardized or ruined.

There are approximately 24 different policies in effect in various Federal agencies. These dissimilar policies are of a much greater burden for small businesses than for the large corporations which can afford to retain large legal staffs who can develop patent expertise for each agency. Moreover, when small businesses are afraid to involve themselves in Government research and development programs because of fear of losing rights to important patents, it can be very difficult to find alternative means of financing their research and development efforts.

All too often, the only alternative open to small business is to license out or sell an equity position in their promising technologies to larger companies who can afford to conduct expensive research and development programs.

The ultimate effect of present patent policies has been de facto contribution toward greater economic concentration by discouraging the growth of innovative, small and independent enterprises by cutting them off from the use of Government research and development money.

The University and Small Business Patent Procedures Act takes a giant stride toward creating more uniformity in patent policy. Moreover, by allowing small business to retain exclusive patent rights on discoveries made under federally sponsored research, it directly solves one of the major stumbling blocks to spurring more innovation by small business, thus helping to strengthen lagging productivity growth and solve our most troublesome and nagging domestic problem, inflation.

Small business patent problems are enormous—they are immediate and they are unique. Perhaps more should be done to resolve the patent problems of larger firms, but now is not the time. Thorough hearings are needed to study the needs and proposed solutions to the patent problems of larger enterprises. If we focus for right now on helping smaller businesses, we can be assured that we are going to effectively tackle our Nation's productivity and innovation problems. I urge my colleagues to support the University and Small Business Patent Procedures Act.●

UP AMENDMENT NO. 960

Mr. BAYH. Mr. President, I will take a few moments to express my thoughts on the pending amendment. I do this as one who has great sympathy for the concern of the Senator from Illinois and the Senator from New Mexico on the question of productivity.

I must confess, as I have said to both my friends, that I have not yet been convinced that their proposal is not without serious deficiency as it applies to large corporations. I do think there is a problem there; and I will be glad, as one Member of the Senate, to spend a little time on this matter and work with them in any way, to try to address this problem at a later date.

I understand that S. 1215, a measure to accomplish the same purpose as this amendment which has been introduced by the Senator from Illinois and the Senator from New Mexico, is presently pending before the Commerce Committee. I hope that, regardless of the outcome of this vote, this consideration will continue and the questions raised will be answered.

S. 414 has been subjected to thorough hearings by the Judiciary Committee. It was reported by unanimous vote out of the Judiciary Committee and thus is on the floor, after careful consideration and study. It does deal with the question of productivity in a more limited manner than that proposed by the Senator from Illinois and the Senator from New Mexico. As strongly as I support the thrust of S. 414, I do not think it is the only answer to our productivity problem. I must say that I share the concern, expressed earlier by my colleagues who are now presenting the amendment, that the unsurpassed leadership of the United States in the area of productivity has to be recaptured. As I see it, S. 414 is an important first step in that direction.

I believe that the reason why the Senator from Indiana, the Senator from Kansas, and others who have been supporting S. 414, adopted the approach of applying it just to small businesses, and to universities, and nonprofit organizations, still remains a good reason today.

First of all, if one looks at the distinction between small businesses and large businesses, one has to understand that a small business has fewer private resources to develop and market raw products than their big-business competitors. So, there are very few large businesses that are not able to privately develop most of their new ideas. Small businesses cannot do this, and face a real problem trying to develop and market new products with limited financial resources.

I think we can make a distinction between Thomas Edison and General Electric—an example cited previously by the Senator from Illinois. If Thomas Edison were alive and well today, and developed an idea—and if it were a clear financial success, even if it might become as earth-shaking as the electric-light bulb, I wonder whether he would be able today to finance its development and the millions of dollars that would be required to market it.

General Electric, on the other hand, would have very little difficulty financing it privately. Big companies do have some difficulties, I must say. But they are able to get their ideas developed and marketed, because they have the resources. Small businesses need Government and university assistance not today available because of our present patent policies.

The second unique point so far as small businesses are concerned is that if they become involved with the Government, there is a real chance that they will lose what we call their background rights, if they discover anything under Government-supported research. Not only are they precluded from getting ownership of the idea but, also, often the funding agency says, "You have to give up all the ideas you have already had on your own that might relate to this invention."

I do not think that is the kind of jeopardy in which we want to place small businesses and universities.

For that reason, and with great respect and regret, I will have to oppose the amendment of the Senator from Illinois and the Senator from New Mexico.

I think we had better walk before we fly. Let us permit small businesses and universities to have greater patent rights than is now permitted. We have a payback provision in this bill which says that taxpayers' dollars are going to be repaid if the ideas start making money. But let us get these ideas out, see how they work, and then we can address ourselves to the problem of large corporate enterprises.

● Mr. CANNON. Mr. President, in the past 2 years, the Commerce, Science, and Transportation Committee has made a thorough review of American industrial technology and its bearing on the Nation's economic growth, productivity, and competitiveness. Our findings are disturbing.

Today there is scarcely a single technology or industrial sector in which we do not face vigorous competition from other industrialized countries. Last year the United States registered a huge trade deficit in steel, automobiles, and other so-called non-R. & D.-intensive manufactured goods. Our exports of machinery, aircraft, chemicals, and other high-technology products are impressive; but they have not been sufficient to prevent overall trade deficits in manufactured goods in 4 of the last 8 years. Even the surpluses in those categories have dropped about 6 percent, while our trade deficit with Japan in consumer electronics and other sophisticated products grew by 85 percent per year to over $3.5 billion.

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In the meantime, productivity growth in the United States—a key source of our economic growth in the early sixties and a result, in large part, of applying new technologies—has come to a virtual standstill. By last year, the growth rate had dropped so drastically that we trailed all of our major foreign competitors, including Britain. Then, last week, the Labor Department reported an absolute decline in output per workhour of nearly 1 percent in 1979—only the second such drop since World War II, and the first in a period of economic growth rather than recession. Combined with high inflation, which it also fuels, the productivity slump is gradually eroding our standard of living and ability to generate new jobs.

The solutions lie in increased investment in new plants and equipment, new products, and new firms. They lie in reform of economic and environmental and safety regulation. They lie in consolidation of industry, trade, and technology analysis and promotion in a single agency of the Federal Government. They lie in cooperative efforts to develop new manufacturing technologies, as we propose in S. 1250. They lie in efforts to aid small-business investment and growth.

But, in no small part, the solution also lies in encouraging the widest possible use of Government-supported technologies, removing disincentives to participation in Federal research and development programs, and promoting collaboration, rather than antagonism, between Government and industry.

We are, therefore, encouraged that the Senate Judiciary Committee has recognized the contribution of technology to economic revitalization, and has taken a lead in reforming Federal patent policy. We commend Senator BAYH, as well as Senator SCHMITT, for their initiatives in this area, and for their efforts to remedy the problems of the patent system generally. We are merely disappointed that the bill reported by the Judiciary Committee, S. 414, addresses only part of the problem that its sponsors acknowledge and have attempted to resolve.

In the course of our innovation study, the Commerce Committee has held 4 days of hearings on Government patent policy, the most recent one in cooperation with the Judiciary Committee. The committee has heard testimony from representatives of universities, venture-capital investors, and businesses of all sizes, as well as officials of the Department of Defense, Department of Energy, Department of Commerce, and the National Science Foundation. With a single exception, these witnesses strongly endorsed the principle of allowing exclusive commercial use of Government-supported inventions as a necessary incentive, in most cases, to provide development and commercialization. Overwhelmingly, they favored a policy of granting title to contractors without discrimination on the basis of size or tax status.

The amendment I am cosponsoring with Senator PACKWOOD, Senator STEVENSON, and Senator SCHMITT would simply extend the policy of S. 414, and the policy followed by the Department of Defense in the vast majority of military R. & D. contracts to the remainder of Federal research and development transactions. It would allow contractors of all sizes, and primarily those engaged in energy, transportation, health, and other vital civilian R. & D. efforts, to acquire title to the inventions they make under Federal grants and contracts.

We recognize the contributions of small businesses and universities to industrial innovation, and we want to encourage them. Small businesses' share of Government R. & D. procurement is pitifully low and ought to be increased. The President is committed to that objective, and Senator NELSON and other members of the Small Business Committee have proposed to accomplish it by legislative mandate. We have consistently supported progressive budget increases for basic research, primarily in universities. On the other hand, we recognize that our major defense contractors already receive unrestricted title to their inventions as a matter of course and without controversy, while a great many other medium-size and larger companies experience the same disincentives and frustrations of civilian agencies' patent policies as do small business. We need to encourage all businesses to be more productive, more innovative, and more competitive. We fail to accomplish that if we ignore firms which, together, have a much larger share of Federal R. & D. contracts, and a greater impact on the Nation's ability to produce and compete.

Our amendment would accomplish a second important purpose. It would remove inequities by extending other provisions of S. 414 across the board. All contractors, not just small business and universities, would be required to pay back the public's contribution from their returns on successfully commercialized or licensed inventions. All contractors, not just small businesses, would be required to observe the preference for domestic production of technologies developed with public funds. Together with the Government's right to require licensing in cases where contractors fail to commercialize inventions in a reasonable time, these provisions adequately protect the public interest. And, they are fair so long as they, too, are applied on a nondiscriminatory basis.

For these reasons, I urge my colleagues to support our amendment, and S. 414, in order to increase the return on the public's investment in research and development, and benefit the Nation's economy.●

Mr. STEVENSON. Mr. President, how much time remains to me?

The PRESIDING OFFICER. The Senator from Illinois has 11 minutes and 51 seconds. The Senator from Indiana has 5 minutes and 55 seconds.

Mr. STEVENSON. Mr. President, I do not intend to take any more time to debate the issue.

I commend my good friend the Senator from Indiana for his efforts which have led the Senate to its consideration today of S. 414. I believe our objectives are the same. We differ somewhat in method and the extent to which we feel that it is appropriate to pursue those objectives at this point.

I am especially grateful to him for his expressed interest in cooperating on further efforts to assure that publicly supported research does produce increases in productivity and innovation for our economy.

As he mentioned, there is a bill on this subject that is pending in the Commerce Committee. However, it has been referred jointly to that committee and the Committee on Governmental Affairs, so there are at least three committees with some jurisdiction on this subject.

We have spent more than 2 years on this matter in the Commerce Committee and already have held 4 days of hearings on the proposal now incorporated in my amendment. Many members of that committee, including its chairman, are strongly of the opinion that we need to do far more to assure that Government-financed research is commercialized.

So I do welcome the expression of interest by the Senator from Indiana in continued cooperation and in working on this subject. As he concedes, if this amendment is not adopted today, this will be but one step toward our objective. Indeed, even if the amendment I have offered is adopted, the subject will not have been exhausted. More would remain to be done to improve Federal patent policy.

This amendment is a modest step and far less than many of us in the Commerce Committee would like to do to insure that publicly-financed research and development benefits the American public rather than our foreign competitors.

With that, I am prepared to yield back the remainder of my time.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. BAYH. I yield to the distinguished Senator from Kansas.

Mr. DOLE. Mr. President, I vigorously oppose the attempt that is being made by my distinguished colleagues to amend the University and Small Business Patent Procedures Act (S. 414). I feel that any alteration would defeat the purpose of S. 414 which is intended, primarily, to solve a major problem, that of technology transfer. For this reason, it addresses itself to small business who are "responsible for half of the most significant new industrial products and processes," according to a study by the National Science Foundation cited in a September 22, 1979, editorial printed in the Washington Star.

It should be understood at this point that S. 141 does not segregate against big business. It would be a serious mistake to consider the bill under the assumption that it does. It merely protects small business. Understanding the legitimate concerns of big business, the sponsors of S. 414 inserted the following clause, in section 212 of the bill, stating that, "nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with

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small innovative firms, S. 414 will further basic research, most of which is carried out at universities. While the goal of basic research is to add to our knowledge of the areas under study, it is not uncommon for a potentially patentable invention to arise as a by-product of the effort. Because of the amount of public funds invested in research programs in medicine, energy, and the basic sciences, Federal patent policy governs the way many potential inventions must be handled. There are many delays and disincentives in the procedures which must now be followed, procedures which in general frustrate the goal of getting a worthwhile product into the marketplace at a reasonable price. These problems will be remedied by the provisions of S. 414.

Most inventions arising out of university research need a great deal of development and testing before they are ready to be marketed. A new drug, for example, frequently requires careful testing on laboratory animals. If successful, years of carefully controlled clinical trials will follow. This involves an investment which not infrequently exceeds $1,000,000. It is clear that a drug manufacturer will invest the time and money to bring the product to the marketplace only if there is a reasonable certainty that the investment will be recovered through sales.

Supporters of the existing Federal patent policies argue that a loosening of the Government's control over such patents could result in "windfall profits" for those who bring the products to the marketplace. S. 414 addresses this concern by providing for reimbursement of the original Federal investment if income from licenses or sale of products exceeds specified levels within a 10-year period.

Existing Federal policy as implemented by some Federal agencies requires a review of each invention before decisions regarding title and licensing are made. In some cases, title remains with the Government and nonexclusive licenses are offered. In other cases, the agency review takes months or even years. The end result is that potentially beneficial ideas or products remain unused or reach the market years later than they might. By granting to the universities and small companies the right of first refusal for patents arising from their Federal grants or contracts, S. 414 remedies this defect in present Federal patent policy.

Mr. President, I urge my colleagues to support this legislation. We must enact meaningful reforms to encourage the expansion of small innovative firms and to assist deserving universities. S. 414 will go a long way toward meeting this goal.●

Mr. HATCH. Mr. President, the author of a recent Harper's magazine article observed that "progress absolutely depends on the willingness of government to allow the future to prevail * * * that is, government best supports the future by refraining as much as possible from attempting to shape it." Unwittingly, over the past few decades, our haphazard patent policy has resulted in a severe suppression of innovation which, in a very real way, is detrimentally shaping our future inventive progress. Mr. President, we must be willing to bring on the future, and we can best do this by removing our outdated, institutionalized barriers to innovation. I, for one, am ready for that long overdue Yankee ingenuity to come home again.

We have witnessed an unusual phenomenon in recent years: The dominance of the U.S. share of the world's innovation market has begun to dwindle. Since the early fifties, the United States has declined from 80 percent of the world's major innovations to 67 percent in the mid-60's to about 50 percent today. An obvious reason for this alarming trend has been the decline of domestic research and development investment during that same period, while foreign R. & D. investment sharply increased.

Mr. President, small, innovative companies accounted for over one-half of this country's major innovations over the past two decades. Why are these small businesses, who have been highly successful in the past, allocating fewer of their dollars for research? A prime factor is Government bureaucracy. Currently there are 2 dozen different patent policies administered by 2 dozen different agencies who dole out Government R. & D. funds while applying many different license retention policies. Is it any wonder that a small business would turn its back on R. & D. funds which are conditioned upon an endless maze of redtape?

These small businesses are the very lifeblood of our innovative success. A recent National Science Foundation study estimated that the same firms which have given us half of our major innovations also produce four times as many innovations per R. & D. dollar as big business. And over the last decade these same firms have been responsible for the creation of 96 percent of our private sector employment, while the top Fortune 1000 have accounted for only 4 percent of the job growth for the same period.

Mr. President, the conclusion is inescapable: R. & D. funds provided to the most dynamic sector of our economy—small, high technology, innovative businesses—is the most efficient way, perhaps the only way, to innovation leadership, increased employment, and economic growth.

Mr. President, as a member of the Judiciary Committee, and as an original cosponsor of S. 414, the University and Small Business Patent Procedures Act, I feel we have been responsive to a serious need. No longer will small business be faced with a myriad of Government patent policies, but rather, we have provided for a uniform, Government-wide policy for inventions of nonprofit organizations, universities, and small businesses created with the help of Government-supported R. & D. programs.

This uniform policy also affects Government-licensing agreements. No longer will 96 percent of Government-sponsored patents gather dust, but rather, licensing agreements will encourage utilization and commercialization of Government-supported inventions.

Mr. President, this bill is a great effort at removing a major barrier to the inventive genius of America. In a very real sense, it promotes a Government policy of "allowing our future to prevail." Our Yankee ingenuity will prevail.

UP AMENDMENT NO. 962

(SUBSEQUENTLY AMENDMENT NO. 1652)

(Purpose: To amend section 200 relating to the policies and objectives of chapter 18)

Mr. LONG. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. May we have order in the Senate? Will Senators please take their seats?

The amendment will be stated.

The legislative clerk read as follows:

The Senator from Louisiana (Mr. LONG) proposes an unprinted amendment numbered 962:

On page 26, beginning on line 2, strike out "to use the patent system to promote the utilization of inventions arising from federally supported research or development;".

On page 26, beginning on line 15, strike out "and protect the public against non-use or unreasonable use of inventions".

Mr. ROBERT C. BYRD. Will the Senator from Louisiana yield?

Mr. LONG. Yes, I yield.

Mr. ROBERT C. BYRD. Mr. President, may we have order in the Senate?

The PRESIDING OFFICER. May we have order in the Senate, please? Order in the Senate. Will Senators please take their seats?

Mr. ROBERT C. BYRD. Mr. President, it was anticipated that the Senate would complete action on this bill before 1 o'clock today. The only amendment that I knew about on yesterday was the amendment by Mr. STEVENSON and, of course, there was to be 2 hours on that amendment.

I would inquire at this point what the intention of the distinguished Senator from Louisiana is at the moment with respect to amendments. Under the agreement that was entered yesterday, the majority leader is authorized at any time after 1 o'clock p.m. today to set this bill aside, temporarily, of course, and to proceed to the FTC bill. Under the agreement, final action on that bill has to occur no later than noon on Friday.

I had indication that there were going to be other amendments. The Senator from Louisiana is perfectly within his right to offer amendments. If he is opposed to the bill and wants to delay action on the bill, he is within his right to offer amendment after amendment at this point. I do not challenge his right.

I did not know of his interest in this particular bill, or I would have seen to it that he was contacted before the agreement was entered into.

I merely want to find out what the Senator's expectations are with respect to this bill at this point.

Mr. LONG. Mr. President, I yield myself such time as I may require.

Mr. President, I was unaware of the fact that this bill was going to be called up or the unanimous-consent request to limit debate was going to be asked for. If I had known about it, I would have been here to object to it.

I have been extremely interested in this area down through the years, as the majority leader well knows. I had a note to talk to the majority leader and ask him to not schedule this bill until I

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had an opportunity to take a good look at it and to make my plans to offer amendments and to oppose the bill if the bill could not be amended.

I must admit that I am guilty of oversight or forgetting about something, just like anybody else does. I neglected to mention that to the Senator when I saw him. So, perhaps my rights have been prejudiced purely as a result of my own fault; the Senator from Louisiana simply not informing the majority leader of his concern about the matter.

But I am very much concerned about this measure. I would have to oppose the measure and offer amendments, with very little preparation, to do the best I can to protect the public interest, as I see it, if the Senator insists on going forward with this measure this afternoon.

The Senator from Louisiana is the chairman of the conference on the windfall profits tax bill. That is something of a priority matter. The Senator from Louisiana would like to attend that conference right now and go back to work on resolving the differences on that bill, hoping that we might be able to resolve the differences on that bill this week. But he will not be able to do that, he will be compelled to stay here, if the Senator wants to stay with this bill.

Mr. ROBERT C. BYRD. Will the Senator answer a question?

Mr. LONG. Yes.

Mr. ROBERT C. BYRD. Mr. President, I do not understand the Senator to mean that he intends to oppose the bill and defeat the bill.

Does the Senator have an amendment that we could vote on that would take care of his concerns about the bill and dispose of that amendment within the next half an hour or hour, so that we could vote on the bill and get on with the other bill?

Mr. LONG. Mr. President, I do not have an amendment in the nature of a compromise at the moment. This Senator is not as concerned about the idea of permitting private patent rights on Government research to be the exclusive right of a university, especially if the university would be nondiscriminatory in licensing it out to people who would like to develop that invention. He would not have nearly the objection to that that he does to letting other companies, private corporations, organizations for profit, have the benefit of Government research to gain monopoly rights for their private advantage.

I hope the Senator would fulfill the commitments that he has made to others about bringing up certain other legislation, and that would give us some time to take a look at this matter and see to what extent we might be able to resolve our differences before we finally vote on the bill.

Mr. BAYH. Mr. President, I did not want to interrupt the Senator, but I feel, as one who has been involved in this legislation for a good long period of time, that I should at least make some comments here. The Senator from Kansas has been equally involved, as well as certain other colleagues.

I shared the concern of the Senator from Louisiana about the previous amendment. Basically, it was because of the concern which he instilled in me probably 10 or 15 years ago, and which we were previously discussing in relation to the Stevenson-Schmitt amendment that led the supporters of S. 414 to limit its coverage to small businesses, universities, and nonprofit organizations.

To address the concerns which the Senator from Indiana shares with the Senator from Louisiana, that we provided a recoupment provision in S. 414 so that whomever gets the patent, even if it is the Red Cross or Louisiana State University or Purdue University, whoever might get it, they have to repay the cost of that research if they begin to make substantial profits from the discovery.

I was hopeful that this might relieve the concern of the Senator from Louisiana. Certainly, he is within his rights to utilize his parliamentary right to amend the bill. As concerned as I am with this legislation which has been reported unanimously out of the Judiciary Committee and has been pending now for 3 months and, anxious as I am to vote on it, I guess there is not a whole lot I can do, except to try to appeal to the understanding and the sense of fairness of the Senator from Louisiana.

Mr. LONG. Mr. President, I was not aware that this bill was going to be called up today. I indicated that I cannot complain about not being present to protect my rights.

But, in the last analysis, what we ought to try to do here is to decide what is best for the Nation. This should not be decided on the basis of who is right, but it should be decided based on what is right, what is best for our country.

I really, honestly feel that the situation is such that those who feel as I do ought to be offered at least 24 hours to see what we can do about resolving our differences.

I know the majority leader is not one who believes in running over opposition roughshod. I have seen him do it sometimes, but he does it only when he finds it necessary.

I think the Senator should move on to the other measures that Senators wish to discuss. I hope that, maybe between now and the time we finally vote on this measure, we might come to terms on some accommodation that might satisfy everyone involved in this matter.

It is true that this measure has been on the calendar for some time, but this Senator did not expect it to be called up at this point. He was very busy with other matters.

Mr. President, I suggest the absence of a quorum without it being charged to either side.

The PRESIDING OFFICER (Mr. DECONCINI). Without objection, it is so ordered.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, it is my hope that we will be able to act on this bill after those of us who are interested in it have had a chance to give it further study than we have given it to this moment.

I indicated that I simply was unaware of the fact that this bill was going to be called up when it was. If I had been aware of it, I would have given more study to the provisions that the members of the committee, and particularly the distinguished floor manager of this bill, incorporated into it seeking to protect the public interest.

If given the opportunity I will take a good look at those provisions and try to look at them fairly and impartially, and try to pass judgment on whether, in my judgment, the public interest has been adequately protected.

But the Senator from Louisiana is not able to do that at this moment. That being the case, he would be prepared to offer amendments in whatever way he thinks amendments would be appropriate, and he would have to continue to do that until such time as the bill has been debated to a much greater length than it has been debated at this time. That means, as far as the Senator from Louisiana is concerned, that he would have to call off the conference on the windfall profit tax bill until this bill has been disposed of.

That is an inefficient way for the Senate to operate. I would hope that the distinguished manager of the bill, as well as the majority leader, would be willing to proceed with some other measure at the moment and, in doing so, give those of us who have some reservations about the bill a further opportunity to consider both the work of the committee and also the areas in which we feel it might be meritorious to suggest amendments.

I should like to ask the majority leader, if in his judgment, it would be possible for us to proceed on some other measure, as the unanimous-consent agreement gives him that right, so that those of us who do have a serious concern about the matter will have the opportunity to study it and consider it, not on the floor but in conference with the floor managers and others, and see whether we can accommodate one another.

Mr. ROBERT C. BYRD. Mr. President, I am prepared to do that. I am authorized to do that. I have discussed that procedure with the distinguished Senator from Indiana (Mr. BAYH). He will speak for himself, but he understands and appreciates the situation that we have before us. I do not need to explain—I have already done so—what our problems are with the FTC bill and so on. He very graciously has given his approval and authorization to my doing that. I express my appreciation to him for his understanding in this matter.

I hope that we can dispose of this bill. The Senator from Indiana has been very considerate all along, and I think that he, too, is prejudiced by my putting the bill over until today, in effect, although I called it up yesterday afternoon. I did that at the request of a Senator and in doing so, I may have inadvertently dis-

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advantaged the distinguished Senator from Indiana. He accepted it in the finest spirit and he recognizes that the Senator from Louisiana has some problems with this bill now and, as is characteristic of the Senator from Indiana, he is willing to try to work out these concerns with the Senator from Louisiana.

It will take some time. In the meantime, we shall proceed with the FTC bill and dispose of it on Friday or before Friday noon, at which time, the patent bill automatically will come back before the Senate. If the two Senators are still working on this matter, I shall do everything I can temporarily to lay this patent bill aside further so that they will have more time. But eventually, the Senate ought to dispose of the bill.

It was called up in good faith. The agreement was gotten in good faith; nobody charges anything to the contrary. But I feel obligated to try to dispose of the bill at some point. I think both sides ought to have a reasonable opportunity, however, to work out their concerns. I am prepared to move to the other bill as soon as the distinguished Senator from Indiana speaks to the matter.

Mr. BAYH. Mr. President, I appreciate the almost impossible task that our distinguished majority leader, the Senator from West Virginia has, in trying to reconcile the different interests, different positions, different schedules, different workloads of all of us who are trying our best to fulfill our responsibility. I think it would not be wise to insist on getting a vote, a passage vote, on this measure at this time because of the concerns of the Senator from Louisiana.

I think the matter before us is important, certainly the FTC measure is important: the windfall profit tax being worked on by the Senator from Louisiana is important. Certainly, there is no other than the Senator from Louisiana, so I am sympathetic to him. I hope in the interim, we can do our best—I know the Senator from Louisiana will, but I hope other Senators will, also to work out an agreement for speedy consideration of S. 414.

I say to the Senator from Louisiana and the majority leader that I have a little obligation to those people who have been counting on me to be the chief spear carrier on this measure. We have had hearings in the Committee on the Judiciary, we reported it out without any dissenting votes. It has been out here for 3 months. I should not want anyone to interpret my willingness now to accommodate the Senator from Louisiana as being a retreat from the bill, because I think S. 414 is important.

In the debate that transpired on the Stevenson-Schmitt amendment, there were several questions—I thought good questions—raised by the Senator from Louisiana about the inability to get patent rights under the present system. Although I know of no examples of frustrated inventions from the large companies covered by the Stevenson-Schmitt amendment, I do have a list about half as long as my arm of specific patents that did have difficulty getting developed from universities and small business. One of them involved a diagnosis for cancer that has not yet been marketed because of HEW patent policies. I think we can deal with this issue as far as small businesses and universities and nonprofit organizations are concerned to the satisfaction of the Senator from Louisiana.

I hope the payback provision in our bill, under which the Government will recover the money it invested in the initial research will satisfy him. If not, I hope we can at least agree to disagree and let the Senate work its will on this bill. In that spirit, I am more than happy to relinquish the floor at this time.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished Senator yield?

Mr. LONG. Yes.

Mr. ROBERT C. BYRD. I should like to acknowledge the interest the Senator from Kansas has had in this matter. He is also involved in the conference on the windfall profit tax. If I understood him correctly, I think possibly he appreciates the need at this point to move on with the other bill.

Mr. DOLE. Mr. President, I must say I am surprised I did not find the distinguished Senator from Louisiana as a cosponsor of this amendment. It is my hope that he will be leading the charge on the bill, because there are numerous protections of the Government interest, as the Senator from Louisiana may have already determined, in addition to march-in rights and the payback provision.

I certainly agree to that request as long as the bill is not brought up before the week of the 18th. Some of my colleagues who would not like it brought up, say, next Thursday or Friday when they will not be present. Senator THURMOND, for example, cannot be here next Thursday or Friday. This would come back, as I understand it, and be the pending business, unless it is further laid aside until the following Monday.

There is some hope that we may be finished with the windfall profit tax conference. Of course, maybe the Senator from Louisiana would be willing to lay that aside for a year or 2. That would be all right with some of us.

I am very pleased to accommodate the majority leader and the distinguished chairman of the Committee on Finance.

Mr. BAYH. Mr. President, if the Senator will permit me just one word, I want again to express my appreciation to my friend and colleague from Kansas for the role he has played in this. We have been a two-horse team and it has pulled pretty well until we got to this bend in the road. Now, I guess, we are going to have to let the horses rest temporarily and, hopefully, we shall be able to have the Senator from Louisiana driving the wagon when we get it started again.

UNANIMOUS-CONSENT AGREEMENT

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the majority leader may be authorized, so as to protect Senators against the possibility that this bill might be before the Senate next week, that the bill in no event be called up next week, that, in no event, it be before the Senate, that it be temporarily laid aside beyond next week and that the majority leader be authorized, at any time, beginning with Monday, the 18th of this month, again to call up the patent bill and make it the pending business before the Senate. In this way, I shall protect all Senators against the likelihood of the bill's being up next week by virtue of its automatically coming back before the Senate upon the disposition of the FTC bill. But I would have the authority, then, to call the bill back up the week after next or at any time beginning with that Monday.

The PRESIDING OFFICER. Is there objection?

Mr. LONG. Reserving the right to object, the Senator is not setting the 18th, is he?

Mr. ROBERT C. BYRD. No, I am just giving the majority leader, authorizing him, after consultation with the distinguished acting Republican leader—and of course, I shall consult with the Senators involved here—to call the bill back up before the Senate at any time beginning with the 18th of February.

Mr. LONG. Yes. Of course, I do not have my schedule with me. That is why I hope I shall be able to consult with the Senator before it comes back up.

Mr. ROBERT C. BYRD. Yes, I shall consult with the Senator.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request of the majority leader?

Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, with apologies to the Senator from Indiana, the Senator from Louisiana, and the Senator from Kansas and other Senators, and also with expressions of appreciation to them for their understanding and cooperation, I am authorized after consultation with the distinguished acting Republican leader, to call up the FTC bill. In the meantime, I suggest the absence of a quorum and ask that I may be recognized following the quorum call.

The PRESIDING OFFICER. Does the Senator make that a unanimous-consent request?

Mr. ROBERT C. BYRD. Yes.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

FEDERAL TRADE COMMISSION ACT OF 1979

Mr. ROBERT C. BYRD. Mr. President, under the agreement of yesterday, I now ask the clerk to lay before the Senate S. 1991.

The PRESIDING OFFICER. The bill will be stated by title.

The legislative clerk read as follows:

A bill (S. 1991) to amend the Federal Trade Commission Act to change procedures for agency adjudications and rulemaking, to extend authorizations for appropriations for the Federal Trade Commission, and for other purposes.

The Senate proceeded to consider the bill, which had been reported from the Committee on Commerce, Science, and Transportation with an amendment to

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SENATE—*Wednesday, April 23, 1980*

(Legislative day of Thursday, January 3, 1980)

The Senate met at 10:30 a.m., on the expiration of the recess, and was called to order by Hon. HOWELL HEFLIN, a Senator from the State of Alabama.

PRAYER

The Chaplain, the Reverend Edward L. R. Elson, D.D., offered the following prayer:

Let us pray.

Eternal Father, from the tumult of the world without, from the clash and clamor of daily duties, from the confusion of many voices, we pause in this, our place of labor, to hear once more Thy still small voice; and hearing Thee may we, at all cost, obey Thee. Make us to know that God is a spirit and they that worship Him must worship Him in spirit and in truth. Come, Thou Living Spirit, and rule our hearts, our minds, our voices, that we may be instruments of Thy purpose for this land and the whole world; for Thine is the kingdom and the power and the glory forever. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. MAGNUSON).

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., April 23, 1980.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable HOWELL HEFLIN, a Senator from the State of Alabama, to perform the duties of the Chair.

WARREN G. MAGNUSON,
President pro tempore.

Mr. HEFLIN thereupon assumed the chair as Acting President pro tempore.

RECOGNITION OF THE ACTING MAJORITY LEADER

The ACTING PRESIDENT pro tempore. Under the previous order, the acting majority leader is recognized.

THE JOURNAL

Mr. CRANSTON. Mr. President, I ask unanimous consent to have approved the Journal of the proceedings of Tuesday, April 22, 1980.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. CRANSTON. Mr. President, I have no use to make of the time at this point.

Mr. PROXMIRE. Mr. President, will the Senator, when he gets an opportunity after the minority leader, yield to me?

Mr. CRANSTON. Certainly.

RECOGNITION OF THE MINORITY LEADER

The ACTING PRESIDENT pro tempore. The Chair recognizes the minority leader.

Mr. BAKER. Mr. President, I have no request for time and I have an additional special order in my name this morning. So I am glad to yield my time to the acting majority leader or to the distinguished Senator from Wisconsin.

Mr. CRANSTON. Mr. President, how much time does the Senator need?

Mr. PROXMIRE. Four minutes.

Mr. CRANSTON. Mr. President, I am glad to yield 4 minutes of the majority leader's time.

TRIBUTE TO SENATOR GAYLORD NELSON, THE FOUNDER OF EARTH DAY

Mr. PROXMIRE. Mr. President, yesterday was Earth Day. I apologize to my colleague and to the Senate for not having made this statement in honor of my distinguished colleague GAYLORD NELSON yesterday. He was the founder of Earth Day.

In January of 1970, he introduced the "Environmental Agenda for the Decade," which was the blueprint for environmental action in the 1970's covering clean air provisions, clean water proposals, energy efficiency, and environmental safety, strip mining, ocean dumping, and others.

These specific proposals outlined in 1970 led to a series of reform bills passed by the Congress. Thus, Senator NELSON not only sounded the call but led the way.

He has an exceptionally strong environmental record. He was Governor of Wisconsin for 4 years, in which he set a remarkably fine precedent that other Governors have followed for doing our very best in our State, under sometimes very difficult circumstances, to preserve and enrich our beautiful State and preserve our environment.

He concentrated on the national scenic waterways for Wisconsin, preventing the Great Lakes pollution, and so forth.

Mr. President, I am proud that my colleague, GAYLORD NELSON, has been a national leader in the struggle for the environment. If our descendents look back on this period of congressional history 50 or 100 years from now, they will be grateful for the battle that GAYLORD NELSON led to establish Earth Day and to begin the long struggle to give America a clean and healthy environment while we are intensifying our industrialization.

This is a terrific challenge that this country faces. And I think, in spite of all the criticism, that we are progressing. Unfortunately, the press does not habitually report the good news. They report the bad news: The confrontations, the mistakes—and they should. But they neglect the successes. And I think we have had some remarkable successes in the area of the environment, under very, very difficult circumstances.

THE GENOCIDE CONVENTION: A TRIBUTE TO RAOUL WALLENBERG

Mr. PROXMIRE. Mr. President, yesterday I spoke of the truly heroic actions of one man in his fight against genocide. Raoul Wallenberg risked his life to rescue Hungarian Jews from extermination during World War II.

I alluded to the fact that nobody seems to know for certain what happened to him. On January 17, 1945, Wallenberg and his driver set out for Debrecen for a meeting with the Russians. Neither he nor the driver ever returned. The Soviets refuse to comment on the case.

That such a compassionate man should die would be tragic. That such a man should be imprisoned for his actions would be a crime against all human sensibilities. But in this case we simply cannot judge; we do not know what happened to Wallenberg.

Wallenberg deserves our highest admiration for his actions, but the obscurity surrounding his case has made it difficult for even the very people he saved to honor him as he deserves. Hungarian Jews accepted the idea that Wallenberg had been killed in street fighting. The Soviet-dominated government prevented the Budapest Jews from erecting a monument to him in 1948.

But human spirit and compassion so strong cannot be obliterated. Wallenberg's spirit must not and cannot be forgotten. Raoul Wallenberg touched too many lives to be forgotten. No government effort can possibly diminish his stature.

One of those he saved, Annette Lantos, says of him:

> For many years I've lectured on the Holocaust and I've always talked about Wallenberg. He not only saved our lives, but our belief in mankind and the power of good.

Such thoughts are a moving tribute to a saintly man.

The Jewish people have also raised a

• This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

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a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Massachusetts (Mr. KENNEDY), and the Senator from Louisiana (Mr. LONG), are necessarily absent.

Mr. BAKER. I announce that the Senator from Alaska (Mr. STEVENS), and the Senator from Wyoming (Mr. WALLOP), are necessarily absent.

I further announce that, if present and voting, the Senator from Alaska (Mr. STEVENS), and the Senator from Wyoming (Mr. WALLOP), would each vote "nay."

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 57, nays 39, as follows:

[Rollcall Vote No. 83 Ex.]

YEAS—57

Baucus	Exon	Moynihan
Bayh	Ford	Muskie
Bentsen	Glenn	Nunn
Biden	Gravel	Packwood
Boren	Hart	Pell
Bradley	Hatfield	Percy
Bumpers	Huddleston	Proxmire
Burdick	Inouye	Randolph
Byrd, Robert C.	Jackson	Ribicoff
Cannon	Javits	Riegle
Chafee	Leahy	Sarbanes
Chiles	Levin	Sasser
Church	Long	Stafford
Cranston	Magnuson	Stevenson
Culver	Mathias	Stewart
Danforth	Matsunaga	Talmadge
DeConcin	McGovern	Tsongas
Durkin	Melcher	Weicker
Eagleton	Metzenbaum	Williams

NAYS—39

Armstrong	Hayakawa	Pryor
Baker	Heflin	Roth
Bellmon	Heinz	Schmitt
Boschwitz	Helms	Schweiker
Byrd, Harry F., Jr.	Hollings	Simpson
Cochran	Humphrey	Stennis
Cohen	Jepsen	Stone
Dole	Johnston	Thurmond
Domenici	Kassebaum	Tower
Durenberger	Laxalt	Warner
Garn	Lugar	Young
Goldwater	McClure	Zorinsky
Hatch	Morgan	
	Pressler	

NOT VOTING—4

Kennedy	Stevens	Wallop
Nelson		

So the nomination was confirmed.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the nomination was confirmed.

Mr. WILLIAMS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. WILLIAMS. Mr. President, I ask unanimous consent that the President be notified of the confirmation of the nomination.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, the Senate has just voted to confirm the nomination of William A. Lubbers to be General Counsel of the National Labor Relations Board. Discussion of this nomination began 1 week ago on April 16 and throughout the lengthy debate, Senator WILLIAMS, chairman of the Committee on Labor and Human Resources, managed this nomination with great dedication, perseverance and patience.

During the course of the debate, Senator WILLIAMS was required to respond to a number of arguments against the confirmation of Mr. Lubbers. His responses were always to the point and complete. I want to take this opportunity to commend him for his efforts and cooperation throughout the debate on this nomination.

LEGISLATIVE SESSION

The PRESIDING OFFICER. Under the previous order, the Senate will now return to legislative session.

UNIVERSITY AND SMALL BUSINESS PATENT PROCEDURES ACT

(This measure was laid before the Senate on February 5, 1980, and was set aside on February 6, under a unanimous-consent agreement that the Senate return to its consideration on or after February 18.)

The PRESIDING OFFICER. Under the previous order, the Senate will resume consideration of S. 414, which will be stated by title.

The assistant legislative clerk read as follows:

A bill (S. 414) to amend title 35 of the United States Code, to establish a uniform Federal patent procedure for small businesses and nonprofit organizations, to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance, and for other purposes.

The Senate proceeded to consider the bill.

Mr. ROBERT C. BYRD. Mr. President, there will be rollcall vote on final passage of this measure. I ask for the yeas and nays on final passage.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Mr. President, may we have some indication as to when that rollcall vote will occur?

Mr. LONG. Mr. President, I have a statement here that I will take about 10 or 12 minutes.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the vote occur on the bill at 3:30 p.m. today or before if the time is yielded back.

Mr. LONG. I wish 15 minutes.

Mr. ROBERT C. BYRD. And Mr. LONG will have control over 15 minutes of the time.

Mr. DOLE. Mr. President, I am manager on this side and split the remainder.

Mr. ROBERT C. BYRD. All right. The other 25 minutes are to be equally divided between Mr. BAYH and Mr. DOLE.

Mr. BIDEN. And vote at 3:30?

Mr. ROBERT C. BYRD. We have 30 minutes and the vote to occur at 3:30 if the time is all taken.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, may we have order?

The PRESIDING OFFICER. If the Senator will suspend momentarily until the Senate comes to order, the Senate will please be in order.

AMENDMENT NO. 1652

(Purpose: To amend section 200 relating to the policies and objections to Chapter 18)

The PRESIDING OFFICER. The pending question is the amendment proposed by the Senator from Louisiana.

Who yields time?

Mr. LONG. Mr. President, how much time remains on both sides?

The PRESIDING OFFICER. This has been vitiated by the order just entered.

Mr. LONG. Then I have 15 minutes, is that correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. LONG. I will speak on my time.

The PRESIDING OFFICER. The Senator may proceed.

Mr. LONG. Mr. President, the sponsors of S. 414 state that 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, stifles the innovative process and in one way or another will be a major factor in the decline in U.S. productivity.

During the many years I have studied this subject there has not been even a shred of evidence to support these claims.

DISPOSITION OF GOVERNMENT RIGHTS

The disposition of rights resulting from Government research and development can increase monopoly and the concentration of economic power or, alternatively, can spread the resulting benefits throughout society with consequent benefit to the maintenance of a competitive free enterprise system and more rapid economic growth.

Congress has always recognized these principles. Whenever it has spoken, it has always provided that the U.S. Government should acquire title and full right of use and disposition of scientific and technical information obtained and inventions made at its direction and its expense. Some cases are subject to waiver of Government title when the equities of the situation so require. The basic premise is that inventions should belong to those who pay to have them created. Congress has asserted on numerous occasions that title should be held by the United States for the benefit of all the people of the United States if made in the performance of a Government contract. Despite the vigorous opposition from industry groups and from the organized patent bar, Congress has applied this principle to the following agencies of Government:

The Atomic Energy Commission, the Department of Agriculture, the Tennessee Valley Authority, the National Aeronautics and Space Administration, the Office of Coal Research and Development, the Department of Health Education and Welfare, the Veterans' Administration. In addition, what came to be known as the Long amendment is an integral part of a host of laws, such as the Federal Coal Mine Health and Safety Act of 1969, the National Traffic and

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Motor Vehicle Safety Act, the Helium Act Amendment of 1960; the Solid Waste Disposal Act; the Disarmament Act; the Saline Water Act; the Solar Energy Act, and others. The purpose was to insure that no research would be contracted for, sponsored, cosponsored, or authorized under authority of a particular piece of legislation unless all information, uses, products, processes, patents, and other developments resulting from such research will be available to the general public. Only a few years ago, the late Senator Hart, Senator NELSON and I convinced the Senate that such a provision should be included in the Energy Research and Development Act.

PROPOSED LEGISLATION

It is dismaying, therefore to find that S. 414 provides for contractors, in this case small business firms, universities and nonprofit organizations, to receive gifts of ownership of taxpayer-financed research, and according to S. 414's chief sponsor, this is to be only a first step. The Congress and the public should not be fooled. The Senator from Indiana in his February 5, 1980 remarks appearing on page S960 of the RECORD admits "Passage of S. 414 will be a good first step." An enthusiastic sponsor of this proposal, Senator THURMOND, notes in his statement of February 6, 1980, appearing on page S1039, that although he is sympathetic to expansion of this giveaway to large businesses, "any expanded coverage of S. 414 will result in it being killed in the House."

S. 414 applies not only to those areas uncovered by legislation but it also seeks to weaken and ultimately repeal every law on the books which reserves for the public the results of the research it pays for.

It aims at the ultimate repeal of the provisions of the Atomic Energy Act.

It aims at the repeal of the provisions of the National Aeronautics and Space Act.

It aims at the repeal of the provisions of the Department of Agriculture, of TVA, of Department of Interior, in the National Science Foundation, Disarmament Agency, Energy Research and Development Agency, Consumer Product Safety Agency and every other piece of legislation enacted by Congress to protect the public.

In addition—and this is especially startling—once the monopoly is given to the contractor, the public will be unable to find out what has happened to the results of the research it paid for. The bill provides:

> Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

So what it amounts to is this: Not only will the contractor get the 17 year monopoly of the patent but the public can not even find out what has been discovered with its money for many years. It takes an average of 3½ years to secure a patent, and this means that new scientific and technological information could well be suppressed for a long time.

IMPLICATIONS OF PROPOSED LEGISLATION

In the United States, patents have traditionally been held out as an incentive "to promote the progress of science and the useful arts"—an incentive to private persons, willing to assume the necessary risks to earn the stipulated reward. They were never intended to reward persons who perform research at someone else's expense as part of a riskless venture. Therefore, as Prof. Wassily Leontief, a Nobel laureate, points out, to allow contractors to retain patents on research financed by and performed for the Government "is no more reasonable or economically sound than to bestow on contractors who build a road financed by public funds, the right to collect tolls from cars that will eventually use it" or the right to close down the road altogether.

Extensive hearings held by the Small Business Committee's Monopoly Subcommittee while I was its chairman and then under Senator NELSON's chairmanship, inevitably lead to the conclusion that the provisions of S. 414 and similar bills are deleterious to the public interest. Witnesses at these hearings, which started as far back as December 1959, included distinguished economists, a Deputy Attorney General of the United States, an Assistant Attorney General in charge of the Antitrust Division of the Justice Department, two chairmen of the Federal Trade Commission and former staff members of the Council of Economic Advisors.

Without any exception these witnesses testified that when a private company finances its own research and development, it takes a risk and deserves exclusive right to the fruits of that risk. Government research and development contracts, however, are generally cost-plus with an assured market—the U.S. Government. There is, thus, absolutely no reason why the taxpayer should be forced to subsidize a private monopoly and have to pay twice: First for the research and development and then through monopoly prices. When a contractor hires an employee or an agent to do research for him, the standard common law rule is that the contractor gets the invention. Surely the Government should have no less a right.

In addition to the problem of equity, economic growth and increased productivity require the most rapid dissemination of scientific and technical knowledge. Allowing private firms to file private patents would do just the opposite.

If a policymaking technological advance available to all without charge were adopted and maintained for a considerable period, other things being equal, it would make a positive contribution to the efficiency of the economic system and the rate of growth, according to Dr. Lee Preston.

Nobel prize winner Dr. Wassily Leontief, to whom I previously referred the developer of the input-output techniques and analysis, testified in 1963 that a Government-wide policy whereby the results of research financed by the public would be freely available to all would increase the productivity of labor and capital, and estimated that the difference between restrictive (allowing the contractor to retain title) and open patent policies should account for one half of 1 percent in a 4–5 percent growth rate of the average productivity of labor. "I have no doubt," he stated, "that an open door policy in respect to inventions resulting from work done under governmental contract would speed our technological progress considerably."

John H. Shenefield, Assistant Attorney General, Antitrust Division, Department of Justice and Michael Pertschuk, Chairman of the Federal Trade Commission, categorically stated in December 1977 that there is no factual basis for the claims that giving away title to private contractors promotes commercialization of Government-financed inventions and that the available evidence shows just the opposite. They also stated that even if an exceptional circumstance arises—and no specific example could be found—that would justify a waiver of the Government's rights, it should never be done unless the invention has been identified and a study made of the impact of the waiver on the public interest. In addition, such proposals as "march-in rights" would be ineffective and valueless to protect the public against misuse.

At the same hearing in December 1977, Stanley M. Clark, chief patent counsel of the Firestone Tire and Rubber Co., said that:

> I believe in free enterprise and in a competitive system. But the proposal that the Government spend large sums of money for research and development and then hand the patents stemming from such research over to the private contractors is not consistent with free enterprise.
>
> Some have told you and will tell you that unless the research contractors are given title to patents which are produced at Government expense, the contractors will not accept Government research and development contracts. Don't you believe it.

This is a spokesman for a very large company speaking. Continuing:

> They want those Government funds and the rewards and advantages that come with such contracts and they won't turn them down. What they get, in many instances, can be very rewarding even without the patents; and in any event there are no risks involved; the Government assumes all of those.

This bill (S. 414) does not deal with patent problems at all; it is not concerned with the mechanics of securing a patent or the administration of the Patent Office. It involves simply the disposition of public funds—about $30 billion at present—and it is dismaying to find that the same old claims—discredited years ago—to justify the giveaway of the public's rights are still being made today.

S. 414 would wipe out every law on the books which reserves for the public the results of the research it pays for, at the expense of billions of dollars.

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It would hamper the rapid dissemination of scientific and technological information and hence will retard economic growth and increased productivity.

This bill, which sets an unfortunate precedent and other bills which are sure to follow, would promote monopoly and concentration of economic and political power.

This proposed legislation is one of the most radical, far-reaching giveaways that I have seen in the many years that I have been a Member of the U.S. Senate.

I hope the Senate will vote against this bill.

Mr. DOLE. Mr. President, as we resume debate on S. 414, the University and Small Business Patent Procedures Act, I would like to review some of the points that have been made during previous discussions of this legislation.

In support of this bill Senator SCHMITT referred to the Department of Defense and the National Aeronautics and Space Administration as examples of two Government agencies that had effective, reasonable, patent policies. The Senator from Kansas cannot overemphasize the fact that these two agencies are the exceptions. In general, the patent policies that govern the area of Federal research have been ineffective, unreasonable and had disastrous results. It might be useful to examine some of the reasons that contribute to the success of the patent policies of these two agencies.

NASA AND THE DEPARTMENT OF DEFENSE

The Department of Defense adheres to a policy of relinquishing patent rights in favor of the contractors, while NASA uses a waiver policy. That waiver policy is similar to institutional patent agreements—or IPA's—that were used successfully for a while by HEW, until they were arbitrarily abolished. IPA's are still used by the National Science Foundation. IPA's give universities the option to retain title at the time of grant, with the right to grant exclusive licenses for a limited period. IPA's are credited with the fact that a record 75 medical inventions reached the public, between 1968 and 1977, when HEW used IPA's. Among these 75 medical inventions are the rabies vaccine and the silver sulphur diazine treatment of burns. Following the policy change that occurred at HEW in 1977, no less than 29 medical inventions failed to be processed within the next 2 years. Thus, a revolutionary blood test for the detection of breast cancer, and potential cures for hepatitis and arthritis became the casualties of bureaucratic caprice. This example illustrates an important problem. The policies of the Department of Defense, the waivers that are issued by NASA, and IPA's are all satisfactory with one major exception: Each was administratively created, and therefore subject to possible elimination on the basis of a change of administration, or even at the whim of a bureaucrat. This is precisely what happened in 1977 at HEW. This is precisely why this legislation is needed.

The success of the patent programs of the Department of Defense and of NASA, lies in part with the fact that both these agencies are primarily involved with procurement. This factor accounts for these agencies' interest in the development of the inventions they fund. From the outset, the goal of the research is a usable product. This is not the case with other Government agencies' research. Other agencies stop short of taking the necessary steps to guarantee that development and marketing take place. Therefore the result is that only about 5 percent of all federally-funded research is actually used.

In the past Congress has had many concerns with previous patent legislation. Fear of monopolies, and the belief that the Government should not "give away" the patent rights for which it paid were two of the primary issues. S. 414 is a determined effort to solve a serious problem that exists, without the Government "giving away" its patent rights or contributing to the growth of monopolies. March-in rights diffuse the danger of monopolies. The Government payback provision guarantees that the Government's investment, paid for by the taxpayers of this country, is returned to the Federal coffer. The incentive provision for private industry for the development of inventions, is designed to insure that the American public gets a return on the investment that has been made in research.

The Senator from Kansas feels compelled to reiterate the fact that when Federal research money fails to result in the production of items that can be used by the consumer, in essence, the Government has broken its commitment to the American people, since our citizens could be reaping a significant return on the investment of their tax dollars.

S. 414 meets the objectives that were enumerated by President Carter. In his 1979 state of the Union to Congress, the President urged a "reduction in Government interference" so that the "American economic system (is) given a chance to work."

The Senator from Kansas wishes to stress the importance of this legislation in terms of increase in productivity, increase in technology transfer—two concepts that would result in jobs and decreasing the inflation rate. I urge my colleagues to support S. 414.

Mr. BAYH addressed the Chair.

The PRESIDING OFFICER (Mr. BAUCUS). The Senator from Indiana.

Mr. BAYH. Mr. President, over the past several months, with increasing intensity, the Members of the Senate, the Congress, the Government, and various financial and economic leaders throughout the Nation have become increasingly concerned about the health of the Nation's economy. Everyone is concerned about how we can decrease inflation, increase the rate of our gross national product and, basically, put America's economy in a better state of health.

Anyone who has examined the present condition carefully realizes that the doctor is not going to be able to prescribe just one pill and suddenly find a remedy to the various ills that confront the American economy.

However, most all of us are aware and convinced of the fact that one of the major goals this country has to accomplish is to increase its productivity. We are behind every other Western industrial nation in the world save Sweden in the growth rate of our productivity. Now, that is a sad commentary for the Nation that showed the whole world how to produce a better mousetrap.

The recent White House Conference on Small Business discussed this problem at some length not only from the perspective of the small businesses that were represented there but from the perspective of the national economy as a whole.

It was somewhat of a surprise to the Senator from Indiana that two of the major recommendations of that White House Small Business Conference were measures dealing with the need to dramatically revise the Nation's patent system. In fact, two of the top recommendations of this Small Business Productivity Subcommittee were this present bill and a patent reexamination bill that has already passed the Senate.

I suggest to my colleagues, and it is a difficult position to be in opposing my distinguished colleagues from Louisiana, that what we are talking about here is not only providing small businesses and universities a right to own patents, but we are talking about what we can do to start that long trip back up the ladder so that the United States can again be uncontested at the top where it should be.

Today we resume consideration of S. 414. This bill was unanimously reported out of the Judiciary Committee after careful consideration of its merits, and deserves the support of my colleagues at this time of lagging American innovation and productivity.

We no longer can afford to sit back and watch many of the results of our multi-billion dollar research and development efforts wasting away because of bureaucratic red tape.

The bill addresses a serious and growing problem. Hundreds of valuable medical, energy, and other technological discoveries are sitting unused under Government control because the Government which sponsored the research that led to the discoveries lacks the resources necessary for development and marketing purposes, yet is unwilling to relinquish patent rights that would encourage and stimulate private industry to develop discoveries into products available to the public.

I see no benefit to be derived from the expenditure of the hundreds of millions of dollars we have spent in the discovery of the 28,000 patents that are presently drawing dust down at the Patent Office because no one wants to commercialize them. Discovering the idea is only the first step, an important step to be sure. But as long as that patent is not developed and made available in the marketplace, the public is receiving no benefits for the research money that has been expended in support of the invention.

The cost of product development exceeds the funds contributed by the Government by a factor of at least 10 to 1. This, together with the known failure rate for new products, makes the private development process an extremely

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risky venture which industry is unwilling to undertake without some incentive to justify this risk. Patents represent this incentive.

When Government agencies insist on taking away patent rights, this incentive is destroyed. The result has been that many promising inventions are left to gather dust on the shelves of our agencies because private industry will not develop and market them without patent rights.

It was interesting to the Senator from Indiana, as we held the hearings, to note the tremendous role that small businesses and universities play in developing new ideas. In fact, if one looks back from the end of World War II to the present date, a majority of all the new creative ideas have been made by either small businesses or universities. We also find small businesses providing most of the new jobs.

So we are talking about a factor in our economic health that cannot be ignored.

I was impressed, as we held the hearings, to actually talk to small business presidents, and to hear them testify about whether they would be willing to get involved in the Government-supported research.

The fact of the matter is there is a decreasing number of high technology small businesses, that are willing to get involved in Government research.

If you look at the percentage of Government research going to small businesses, it is going down. It may be well and good for a representative of a large corporation to try to represent what small businesses will do as far as Government research is concerned. But if you look at the record, the fact is that the percentage of research money going to small businesses is less than 4 percent. Small businesses do not want to get involved with the Government because they do not know whether they are going to get ownership of the inventions they make. They do not know whether there is going to be any profit at the end of the line. And they are deeply concerned about the ability of Government to go in and gain access and make public the background rights that they had before they even accepted the Government research.

So I must suggest that the record will show that small businesses have been kept out of Government research and that we are really cutting off a vast storehouse of innovation which is uniquely available in many of our small businesses and our university campuses.

Nowhere is this problem more disturbing than in the biomedical research programs. Many people have been condemned to needless suffering because of the refusal of agencies to allow universities and small businesses sufficient rights to bring new drugs and medical instruments to the marketplace.

For example, the Department of Health, Education, and Welfare routinely takes up to 15 months even to decide who should own patent rights to innovations made under its research. During this period, the invention is in limbo because no one knows who will finally own it. Many companies give up and simply look for other inventions because of this type of delay.

Senator DOLE and I have compiled a list of over 30 promising medical discoveries that have run into this problem.

I ask unanimous consent that those specific examples be printed in the RECORD.

There being no objection, the examples were ordered to be printed in the RECORD, as follows:

PETITIONS FOR INVENTION RIGHTS

Sponsoring institute (NIH)	Date sent to General Counsel	Inventor and university	Invention
Employee—Bureau of Standards	Sept. 28, 1977	Cetas—University of Arizona	Birefringement crystal thermometer for measuring heat of cancerous tissue during electromagnetic-wave treatment.
National Institute of Allergy and Infectious Diseases (NIAID).	Oct. 6, 1977	Remers/Kumar—University of Arizona	New mitomycin anticancer agents.
National Institute of General Medical Sciences (NIGMS), National Heart, Lung and Blood Institute (NHLBI).	Oct. 14, 1977	Powers—Georgia Institute of Technology	Compounds to treat emphysema and arthritis.
NIGMS	do	Fox—Columbia University	Aqueous mypertonic solution for treatment of burns.
NIGMS	Nov. 1, 1977	Everett—University of Houston	Apparatus and synthesis of film transfer characteristics.
NHLBI	Dec. 8, 1977	Normann—Baylor University	Remote monitoring of blood pumps.
NCI	Dec. 20, 1977	Goldstein—University of Texas	Hormone (thymosin) treatment of immune system diseases (cancer, arthritis, muscular dystrophy).
NCI	Dec. 29, 1977	Salmon/Hamburger—University of Arizona	Bioassay for the treatment of cancer.
NCI	Jan. 26, 1978	Townsend/Earl—University of Utah	Synthesis of anticancer compounds.
National Cancer Institute	Jan. 27, 1978	Pogell/McCann—Saint Louis University	Pamamycin—a new broad spectrum antibiotic.
National Institute of Dental Research (NIDR), Division of Research Resources (DRR).	Jan. 31, 1978	Latham/Georgiade—University of North Carolina	Appliance to be placed in the mouth of infants to correct bilateral cleft of the lip and palate.
NIAID, NHLBI	do	Goetzel/Austin—Harvard University	Synthetic therapeutic agents for anaphylaxis, asthma, etc.
NHLBI	Feb. 10, 1978	Mahoney—University of Colorado	Device to examine hemoglobins to detect abnormalities.
National Institute of Arthritis, Metabolism, and Digestive Diseases (NIAMDD).	Feb. 13, 1978	Walser—Johns Hopkins University	Salts of keto acids for purpose of alleviating hyperammonemia due to liver damage caused by such disorders as cirrhosis, hepatitis or genetic liver damage.
Employee	Feb. 28, 1978	Vurek—NIH employee	Measurement of Carbon dioxide in blood plasma for diagnostic purposes.
Do	April 5, 1978	Walker—NIH employee	Needle valve detent attachment for controlling cuff deflation during the taking of blood pressure.
NCI	April 7, 1978	Apple/Formica—University of California	Anticancer drug—Azetomicins.
NCI	April 11, 1978	Spiegelman—Columbia University	Method for detecting cancer.
NIGMS	April 20, 1978	Marshall/Rabinowitz—University of Miami	Synthetic carbohydrate-protein conjugates for extending conditions under which enzyme can be used in biochemical processes.
NCI	April 20, 1978	Farnsworth—University of Illinois	Anticancer drug—Jacaranone.
NCI	May 1, 1978	Turcotte—University of Rhode Island	Anticancer drug.
National Institute of Neurological and Communicative Disorders and Stroke.	May 8, 1978	Jobsis—Duke University	Method for noninvasive monitoring of oxygen sufficiency in human tissues and organs by infrared radiation.
NIGMS	May 24, 1978	Montalvo—Gulf South Research Institute	An invention to selectively measure substances in the blood to diagnose blood disorders.
NCI	May 26, 1978	Pettit/Ode—Arizona State University	Anticancer drug.
Employee	June 21, 1978	Leighton—Employee	Intracranial pressure gage.
NCI	June 29, 1978	Kuehne—University of Vermont	A method for synthetically preparing a useful naturally occurring substance. The natural substance is used in making a drug for treatment of high blood pressure.
NICHD	July 17, 1978	Gray—Illinois Institute of Technology	Prolong release of antifertility drugs.
NCI	do	Gosalvez—University of Madrid	Novel anticancer compounds—analogs of adriamycin.

Mr. BAYH. Mr. President, I might point out, for example, a new burn ointment and a promising diagnostic test for cancer which can detect whether a given patient will have an adverse reaction to certain kinds of chemotherapy agents without having to go through that traumatic experience of hair loss and convulsions and some of the unfortunate reactions to those drugs that are used to fight cancer.

It is also interesting to note that the Government owned the rights to penicillin and tried to make it available to private industry for 11 years without patent rights—11 years. During this long period, there were no takers. If it had not been for the emergency conditions caused by World War II, in which the Government actually got into the business of developing penicillin itself, it is likely that penicillin would still be there with the 28,000 other patents that are just collecting dust and people would not be benefiting from that tremendous lifesaving discovery.

The Senate Judiciary Committee held extensive hearings on this bill. Indeed, the Senate Small Business Committee has recently looked into this and has reached the same conclusion.

I would like to suggest that the chairman of the Small Business Committee,

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Senator NELSON, is a supporter of this particular measure and, although he was called away on official business elsewhere, I would like to have the record show that had he been here he would have voted for it.

The committee heard many examples of the need for this. I would like to point out that the Comptroller General of the United States, Mr. Elmer B. Staats, testified forcefully in favor of S. 414 because of the adverse effects of the confusion caused by the present patent policies. The Comptroller General testified that the present policies are not even consistent—the GAO had identified 20 different patent arrangements in place in the various agencies. And that has to be stopped.

The present policies were originally based on the presumption that the agency would retain ownership of any patent that came from its reported research even when the agency had no intention or ability to develop and use it. This policy has proven to be so ineffective that it has been gradually revised since President Kennedy's Memorandum and State of Government Patent Policy issued in 1963.

I would like to point out that the bill which is presently before the Senate says that if the Government feels that a patent they supported is something that they want to develop in the name of the people of the United States, then they have a right to do it. We are not denying that right in S. 414. What we are saying is that if the Government makes the assessment that they do not intend to develop this idea, then let a small business or let a university have a chance to develop it and make that idea available to the people of the country in the marketplace.

The present burden of this patent policy confusion is placed primarily on universities—which are presently conducting 70 percent of the basic research in the country—and on small businesses. Because inventions made by these contractors are coming from basic research they do not represent marketable products and require substantial time and money before they are ready to be sold. It has been estimated that the cost of this product development exceeds the cost of initial research by a factor of 10 to 1. When Government agencies retain ownership to these inventions the result is simple—no one markets them because there is no incentive to do so without patent protection. The end result is that many promising inventions—especially medicines—are never delivered to the public. It should also be noted that the agencies are rarely funding 100 percent of this research but under present policies even if their share is a small percentage of the total funding the agency can insist on retaining patent rights.

S. 414 is based on the favorable experiences of the institutional patent agreement (IPA) program which has been in effect since 1968. These are agreements made with universities and nonprofit organizations that allow these contractors to retain patent ownership to the inventions that they make while working for the Government. This program has been so successful in delivering new products to the public that the General Services Administration adopted a rule making IPA's available to all agencies. There is absolutely no evidence of any economic concentration having resulted from this program—but there is impressive evidence that the IPA program has delivered many important medical discoveries to many suffering people.

S. 414 takes this very successful program and extends it to small businesses who are working for the Government. There is abundant evidence that greater economic competition will result from a closer relationship between our small businesses and the agencies. In those instances where the agency desires to fully develop and use the patent the agencies will be able to retain ownership under the provisions of S. 414. The thrust of this bill is that in those instances where the Government cannot develop these products they should not be left to gather dust in some agencies' shelves; they should be left to the inventor so that they can reach their potential in the marketplace where the public can benefit from them.

S. 414 also includes a payback requirement that would require the reimbursement of the Government from the profits that a successful invention makes. No one is getting a free ride from this bill.

This concept has been endorsed by President Carter in his innovation speech of October 31, 1979, supported by the President Carter's Domestic Policy Review on Innovation and Productivity, has been endorsed by Mr. Ky P. Ewing, Deputy Assistant Attorney General, Antitrust Division in his testimony to the House Committee on Science and Technology, is supported by the Comptroller General of the United States, Mr. Elmer G. Staats, is supported by recent White House Conference on Small Business, the National Small Business Association, the Society of University Patent Administrators, and with the exception of Adm. Hyman Rickover by every witness who appeared—or asked to appear—before the Senate Judiciary Committee. It should be pointed out that every representative of a Government agency who has appeared before the Judiciary Committee, the Commerce Committee, or the House Science and Technology Committee has advocated revising the present policies because of their ineffectiveness.

It is for these reasons that I urge my colleagues to join me in supporting S. 414.

Mr. President, I ask unanimous consent that Senator NELSON's statement be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

STATEMENT BY SENATOR NELSON

I support S. 414. After careful consideration of this legislation and the arguments that have been made for and against it, it is my conclusion that the public interest would be served by its passage by the Senate and its enactment into law.

Before reviewing the contents of this bill, it would be useful to sketch out some of the underlying reasons why reform of federal patent ownership policy is urgently necessary. It is universally conceded that the United States is facing an unprecedented innovation and productivity crisis, which in turn is increasing our disastrous rate of inflation. The number of patents issued every year has gone down steadily since 1971. In 1979, almost 40 percent of the 55,418 patents issued by the U.S. Patent Office were issued to citizens of foreign countries. We invest less in research and development in constant dollars now than we did ten years ago. Last year, the productivity of our country actually declined by 1.1 percent. This deterioration in the economic position of the United States is one of the greatest dangers this country faces.

Although government patent policies are obviously not the sole cause of the problem, or even a primary cause of it, they do represent a serious impediment to the effective transferral of new technologies and discoveries from multi-billion dollar federal research and development efforts to the private sector where they can best serve the public interest. Today, the government retains title to nearly all new technologies and discoveries from government-sponsored research. Of the more than 28,000 patents in the government patent portfolio, less than 4 percent are successfully licensed.

Universities, on the other hand, which can offer exclusive or partially exclusive licenses on their patents if necessary, have been able to successfully license 33 percent of their patent portfolios.

What S. 414 will do is establish a presumption that universities and small businesses shall retain title to inventions they develop with government financial assistance. The bill would establish one uniform federal policy for all federal agencies, replacing the bewildering variety of title and licensing policies which now exist in different federal agencies.

Under S. 414, there would be exceptions to this general rule. If the funding agreement between an agency and a contractor related to the operation of a government-owned research facility or in "exceptional circumstances" or when a proper authority deemed it necessary to safeguard the confidentiality of intelligence activities, the government would be empowered to retain title to an invention. An "exceptional circumstances" determination would have to be forwarded to the Comptroller General for review, and the Comptroller General would be charged with the duty of reporting to the House and Senate Judiciary Committees concerning any perceived abuses of discretion.

Any funding agreement with a small business firm or nonprofit organization would have to contain appropriate provisions to protect the public interest. The existence of the invention must be made known to the federal agency involved. The decision to acquire title by the small business or nonprofit organization must be made within a reasonable time. The federal agencies may receive title to any inventions for which the contractor has not filed a patent application. Federal agencies may require periodic reporting by the contractor or his licensees on the utilization of the patent.

Assignment of rights under the patent is prohibited in most circumstances without the consent of the agency involved, and the granting of exclusive licenses to persons (including corporate persons) other than small business firms is generally prohibited 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.

All federal agencies shall possess "march-in" rights, allowing them to require their title-holding contractor to grant any type of license of an invention if the contractor has not taken proper steps to achieve the "practical application" of the invention or when action is necessary to alleviate health or safety problems or when federal regulations specify public use requirements which are not being met by the contractor.

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The bill contains meaningful "payback" requirements. The federal government will receive 15 percent of all the gross income over $70,000 obtained by a contractor from the licensing of an invention during a given calendar year. Further, the United States shall receive five percent of all income in excess of $1 million received by a contractor for sales of products making use of one or more of the subject inventions. In no event will the federal government receive back more money than it contributed to the development of the invention. If the invention proves valuable, the federal government will receive additional income tax revenues from increased contractor profits.

Finally, with elaborate safeguards, federal agencies are authorized by S. 414 to license federally-owned inventions on a non-exclusive, partially exclusive or exclusive basis.

Although I have had some reservations about this bill and the concepts it embodies, I have concluded it will help promote the utilization and commercialization of inventions made with government support and encourage the participation of smaller firms in the government research and development process.

Current patent policy is a major impediment to increased research and development by smaller firms. It has been well documented that an important ingredient missing in federal research and development programs is the large-scale participation of the small business community. A distressingly low percentage of federal research and development contracts are awarded to small companies. In fact, according to the Office of Management and Budget's study, "Small Business Firms and Federal Research and Development,' only 3.4 percent of all federal R & D contracts go to small business.

The Small Business Committee has heard from a number of small business people who have said that the present government policies requiring them to give up patent rights to inventions made under federally-sponsored research is one of the greatest impediments to their participation in federal R & D efforts. But some policies go even further by requiring them to license their "background rights' to large business competitors who later work under federal R & D programs. Technological edges are the one advantage that small companies have, and when they are forced to license them out to competitors, their very ability to compete is fundamentally penalized.

There are several important objections which have been raised concerning this bill.

First, it is asserted that S. 414 would, under some circumstances, enable a single company to "monopolize" a product invented with the aid of public funds. This is a serious point. The granting of a patent or of an exclusive license is not the same thing as a 17th century "monopoly" but there is no question that it does grant to selected institutions a privileged position. It is the Committee's belief that the negative aspects of this grant of privilege are outweighed by the public benefits gained from the rapid development of inventions. It is undisputed that 96 percent of all federally-owned patents are not successfully licensed, i.e., the inventions sit on the shelf because nonexclusive licenses do not furnish sufficient incentive for any single company to take the financial and legal risks attendant on full development of an invention. Comptroller General Elmer Staats, whose devotion to the public interest is unquestioned, was particularly emphatic on this point during the hearings on the bill. In his testimony of May 16, 1979, Comptroller Staats stated:

"The proposed act would place initial responsibility for commercializing research results on the inventing contractor—the organization or individual with the most interest in and knowledge of the invention. It would provide the Government with "march-in" rights. These rights limit the administrative burden because they would be exercised only in specified situations, such as when the agency determines that the contractor has not taken effective steps to achieve practical application of the invention.

"Studies have shown that of the 8,000 inventions disclosed annually to the Government, only a handful attained commercial importance. It would be hoped that an easing of the redtape leading to determinations of rights in inventions would bring about an improvement of this record."

A related objection is that universities will invariably grant exclusive licenses to large companies for the development of inventions. However, the testimony before my Select Committee on Small Business indicated that universities generally prefer non-exclusive licenses because they are more lucrative to the universities and make use of exclusive licenses only when that is the only way to get inventions developed. I believe that we can trust universities to know what is in their own best interest and can rely on their judgment about the necessity for occasionally granting exclusive licenses.

In 1978 I held five days of hearings on existing Institutional Patent Agreements. I concluded that they generally served the public interest. For example, under current HEW time schedules, universities may issue exclusive licenses for a period of three years from the first commercial sale of a product or five years from the date of the license agreement, whichever occurs first, and most universities find this time schedule to be perfectly adequate. There is no reason to believe that under S. 414 universities and small businesses would make agreements more disadvantageous to themselves than universities now make under IPA's.

And the present public interest in granting universities title to inventions and the right to license them exclusively must be borne in mind. As is stated in the Committee Report:

"Agencies which acquire these patents generally follow a passive approach of making them available to private businesses for development and possible commercialization through non-exclusive licenses. This has proven to be an ineffective policy as evidenced by the fact that of the more than 28,000 patents in the Government patent portfolio, less than 4 percent are successfully licensed. The private sector simply needs more protection for the time and effort needed to develop and commercialize new products than is afforded by a non-exclusive license. Universities, on the other hand, which can offer exclusive or partially exclusive licenses on their patents if necessary, have been able to successfully license 33 percent of their patent portfolios."

Second, it is suggested that the problems of equity, economic growth and increased productivity require the rapid dissemination of scientific and technical knowledge, and the present patent policies better promote this dissemination than would S. 414. I must disagree.

The theoretical availability of a non-exclusive license does not mean that anyone will actually develop an invention into something useful. The fact remains that 96 percent of all federally-owned inventions, approximately 27,000 out of 28,000, are not licensed, and thus are of no use to the public. The huge majority of small business and university witnesses have testified that the option of exclusive licensing is necessary in order to achieve greater actual development of inventions. We do not now know for certain what would happen under S. 414. However, it is reasonable to assume that it will improve the situation.

Third, it is argued that there is no "factual basis" for the claim that giving private contractors title to inventions will promote rapid commercialization of those inventions. To this contention, there are, I think, two replies. First, private contractors do not now have title to inventions they make with federal assistance. So it is difficult to tell what would happen if they did. Second, the IPA experience with universities precisely indicates that the granting of title and exclusive licensing rights to private contractors does promote the rapid commercialization of inventions.

Fourth, it is maintained that there are potential dangers to small business in the bill. It is argued that if a small business were to possess patents or exclusive licenses, it might be an attractive takeover target. Further, it is maintained that small businesses might not be able to resist patent infringements by larger firms because of the high legal costs involved.

With all due respect to those who make them, these arguments do not strike me as being very weighty. Small business people overwhelmingly support this bill and are willing to take their chances with potential corporate raiders and patent infringers. This bill confers a benefit on small business, and it is not reasonable to oppose the bill because someone may attempt to illegally remove the benefit. Furthermore, the Senate has adopted S. 1679, which was sponsored by Senator Bayh, myself and others. This legislation will reduce the average patent litigation cost from $250,000 to $1,000.

Again, it is useful to return to the favorable experiences under the IPA program, which has been in effect since 1968. The IPA is a series of agreements made with universities and nonprofit organizations that allow these contractors to retain patent ownership to the inventions that they make while working for the government. This program has been so successful in delivering new products to the public that the General Services Administration has adopted a rule making IPA available to all agencies. Five days of Small Business Committee hearings, which I chaired in 1978, failed to reveal evidence of any economic concentration having resulted from this program. While I agree that there is at least a theoretical potential for abuse, to date we have found none. If S. 414 becomes law, I intend to hold hearings on it after a reasonable period of time has elapsed, to see if any abuses do in fact result from its enactment.

Mr. President, the concepts embodied in S. 414 are part of the key recommendations of the President's Domestic Policy Review on Innovation. I would like to quote President Carter on what he said pertaining to issues relevant to this bill:

"The Policy Review identified strong arguments that the public should have an unrestricted right to use patents arising from federal sponsorship. These patents were derived from public funds, and all the public have an equitable claim to the fruits of their tax dollars. Moreover, exclusive rights establish a monopoly—albeit one limited in time—and this is an outcome not favored in our economy.

"Several competing considerations, however, urge that exclusive rights to such patents should be available. First, government ownership with the offer of unrestricted public use has resulted in almost no commercial application of federal inventions. Without exclusive rights, investors are unwilling to take the risk of developing a federal invention and creating a market for it. Thus, ironically, free public right to use patents results, in practical terms, in a denial of the opportunity to use the invention. Second, many contractors, particularly those with strong background in and experience with patents, are unwilling to undertake

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work leading to freely available patents because this would compromise their proprietary position. Thus, some of the most capable performers will not undertake the government work for which they are best suited. As a result of the strength of these considerations, most agencies have the authority in some circumstances to provide exclusive rights. But because of the difficulty of balancing competing considerations, this issue has been unsettled for over 30 years, and the various agencies operate under different and contradictory statutory guidance. The uncertainty and lack of uniformity in policy has itself had a negative effect on the commercialization of technologies developed with federal support."

I believe the President has fully and succinctly presented the issue before us, and I agree with the findings.

The bill has been endorsed by Mr. Ky P. Ewing, Deputy Assistant Attorney General, Anti-Trust Division, in testimony before the House Committee on Science and Technology. As noted above, it is supported by the Comptroller General of the United States, Elmer Staats, by the National Small Business Association, and by the Society of University Patent Administrators. Only last month, 1,600 delegates to the White House Conference on Small Business endorsed it as an integral component of S. 1860, the Small Business Innovation Act which I introduced last year. As a matter of fact, S. 1860 was the sixth highest priority of the conference delegates.

The problems of rising inflation and slumping productivity require immediate congressional attention. Passage of S. 414 will help spur innovation and new discoveries by small business. Smaller enterprises were responsible for half of all major industrial innovations since World War II and produced 24 times as many major innovations per research dollar spent as did large firms. As such, S. 414 will play a small, but important role in solving the inflation problem.

Our country is in deep economic trouble. Ideological rigidities should not prevent us from exploring new approaches to the problems of how we revive a stagnating economy. After a careful review of this legislation, I have concluded that S. 414 constitutes an approach worth trying, and I am pleased to support it.

The PRESIDING OFFICER. The Senator's time has expired.

The Senator from Kansas has 12 minutes remaining and the Senator from Louisiana has 1½ minutes remaining. Who yields time?

Mr. LONG. Mr. President. I ask unanimous consent to have printed in the RECORD a synopsis from Admiral Rickover, who has been very active on this subject down through the years.

There being no objection, the synopsis was ordered to be printed in the RECORD, as follows:

SYNOPSIS OF ADMIRAL RICKOVER'S VIEWS ON GOVERNMENT PATENT POLICY

1. In recent years, Members of Congress have introduced various bills which, contrary to the thrust of existing statutes, would give contractors the exclusive rights to inventions arising under their contracts with the U.S. Government. In support of these bills, the patent lobby contends that unless the Government grants its contractors such rights, companies will not have sufficient financial incentive to develop and market the ideas that grow out of Government-funded research.

2. Admiral Rickover has had more than a half century's experience in engineering, technology and contracting. For many years he has strongly opposed bills which would give contractors exclusive rights to inventions developed at Government expense. He believes that each citizen should have equal rights to use these inventions and that the monopoly rights conveyed by a patent should be reserved for those who develop inventions at private expense.

3. In support of his views, Admiral Rickover makes these points:

a. In the vast majority of cases, patent considerations neither attract companies to Government work nor repel them from it. Contractors seek Government work because it generates profit; it helps support their scientific and engineering staffs; and they obtain valuable know-how from performing the work. The idea that the Government cannot attract good companies without giving away patent rights is simply rhetoric by the patent lobby.

b. The technology growing out of most Government R&D efforts is not reflected by the patents generated, but is in the form of data, know-how, concepts, and design features which, although of great technical importance, generally are not patentable.

c. Truly good ideas arising under Government contracts tend to be adopted and used elsewhere without having to grant someone monopoly patent rights. Nuclear technology in this country has flourished under a policy in which Government contractors have not been given exclusive rights to inventions developed at public expense.

d. By generally claiming the rights to inventions their employees develop on the job, industry endorses a principle that patent rights should belong to the employer. But when the Government is the employer, and the contractor the employee, the patent lobby wants to reverse this principle.

e. Large corporations would benefit most from a giveaway Government patent policy because the vast majority of Government research and development funds is spent in contracts with large corporations.

f. It would be wrong to give a company a 17-year monopoly to some technological breakthrough, in the energy area, for example, that was paid for with public funds.

4. Based on this first-hand experience encompassing many years, Admiral Rickover contends that the dissemination of technology and the public good are both best served when the Government retains title to inventions developed at public expense and the public retains the unrestricted right to use them. Because of a proliferation of sometimes conflicting statutes dealing with patent matters, he recommends that Congress enact legislation which would ensure that each citizen has equal rights to use inventions developed at Government expense.

Mr. BAYH. Mr. President, I ask unanimous consent that the Senator from Indiana be permitted to use 2 minutes of the time of the Senator from Kansas, who is a cosponsor of this legislation.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAYH. The Senator from Kansas has been an avid supporter of this legislation. I want to compliment him, as well as our other sponsors, for their assistance.

I have great sympathy with the thrust of the arguments of the Senator from Louisiana. I would just like to point out two of the factors in this bill that have not been contained in other provisions which go to the question of the Government being fleeced and the taxpayers losing the dollars that they have invested. Let me just point out two things:

First of all, I do not see how the taxpayers benefit at all if money they spent in research results in ideas just drawing dust. The people have to get the idea commercialized and made available to them as new products before the taxpayers get any return on their investment.

The second point—and I think this is a new point that needs to be considered, and I think it goes to the concerns expressed by the distinguished gentleman, Admiral Rickover, who I have great faith and respect for. I just disagree with his logic on this point.

We have a formula in this bill that says when a small business or a university takes advantage of the provisions of S. 414, begins to market an idea, and that idea, begins to make money, then there is a formula in which the money is repaid to the agencies.

So, in the final analysis, the taxpayer will not be out the cost of the research and they also will have the benefit of the product.

I see my good friend from Kansas is here. He can express these ideas much better on his time than I can.

The PRESIDING OFFICER. The Senator from Kansas has 10 minutes remaining.

UP AMENDMENT NO. 1049

(Purpose: To exempt from the provisions of the bill the Tennessee Valley Authority)

Mr. BAYH. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. Is the amendment an amendment to the pending amendment?

Mr. LONG. Mr. President, is the pending amendment the amendment by the Senator from Louisiana?

The PRESIDING OFFICER. That is correct.

Mr. LONG. Mr. President, I withdraw my amendment so that Senator BAYH may offer his amendment.

The PRESIDING OFFICER. The Senator from Louisiana has withdrawn his amendment. The clerk will state the amendment of the Senator from Indiana.

The legislative clerk read as follows:

The Senator from Indiana (Mr. BAYH) proposes an unprinted amendment numbered 1049:

On page 27, line 5, insert ", other than the Tennessee Valley Authority," after "agency".

On page 41, line 4, insert ", other than inventions owned by the Tennessee Valley Authority," after "invention".

Mr. BAYH. Mr. President, what this does is to exempt TVA from the provisions of the bill inasmuch as TVA does not do their research with appropriated funds.

Mr. DOLE. Mr. President, the Senator from Indiana has correctly described the amendment.

Mr. President, I rise in support of the amendment that has been offered by Senator BAYH.

This amendment addresses the built-in characteristics of the Tennessee Valley Authority. Indeed, while S. 414 was never intended to apply to the TVA, which does not make use of Federal appropriations in funding their research and development, the bill's definition of funding agreements which reads as "any agreement entered into between * * *" (page 27, lines 3 and 4), was

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ambiguous since it did not mention the source of these funds. As we are all aware, even though the TVA is a Federal agency, their equipment is financed by floating funds from bonds on income they have earned by generating electricity.

The Tennessee Valley Authority, while not making use of appropriations, does however use Federal funds for in-house research by employees, for which the TVA has its own regulations. They expressed concern that section 208 of the bill, which authorizes the General Services Administration to promulgate regulations. might result in the TVA having to comply with GAO regulations.

Mr. President, this amendment would affirm the fact that S. 414 does not affect the present status of the Tennessee Valley Authority, and that the TVA will continue to be exempt from GSA regulations.

As a cosponsor of this worthwhile amendment, I urge my colleagues to support this effort.

Mr. BAKER. Mr. President, I am happy to see that the Committee on the Judiciary has accepted an amendment designed to enable the Tennessee Valley Authority to develop its own approach for implementing the requirements of S. 414, rather than subjecting it to the uniform regulations which would be developed under this legislation by the Office of Federal Procurement Policy and the General Services Administration. I am convinced that this amendment is necessary to preserve the flexibility and independence which TVA needs to continue to carry out its program responsibilities associated with these patents in an effective manner.

I am proud of the fact that some of the most effective Federal research and development work on the production and use of new and better fertilizers has been done by TVA at its National Fertilizer Development Center at Muscle Shoals, Ala. During the 47 years that TVA has been working at Muscle Shoals, TVA chemical engineers and agricultural research specialists have developed new technology which serves as a basis for the production of 75 percent of the fertilizer used by our Nation's farmers.

TVA owns all the patents for these processes—approximately 230—but, through simple procedures, has issued 622 nonexclusive, royalty-free licenses for the use of this TVA technology at 554 plants in 39 States. The best part about all this is that nearly three-quarters of these plants are owned by small businesses and local farmers' cooperatives.

TVA has been successful in this regard because it has been able to assess the commercial environment on a case by case basis and tailor the manner in which it grants licenses to achieve the fullest possible commercial acceptance and usage of TVA developed technology. I am uncertain whether this success story could continue, however, if these TVA practices were subjected to the uniform, Government-wide regulations developed by FPP and GSA to implement the requirements of S. 414. While these uniform regulations might be appropriate for the bulk of Federal agencies, they might actually increase the amount of bureaucratic paperwork and complexity of TVA's licensing process or otherwise be ill-suited or detrimental to TVA's programs.

I believe it would be inexcusable to risk the success of these highly efficient TVA technology transfer programs when there is no compelling reason to do so. In short, "if it ain't broke, don't fix it." I emphasize, however, that this amendment would not exempt TVA's patent-related activities from the uniform patent policy requirements of S. 414. The amendment simply enables TVA to implement these requirements in the manner most compatible with TVA's program needs.

Furthermore, TVA is not just involved with agricultural research and development. In carrying out President Carter's directive to be in a model in energy-related research and development, TVA is delving into many areas which promise to produce new important technologies which may provide us with better tools to help resolve our Nation's energy problems. Most of the funding for these activities does not come from the Nation's taxpayers, however, but is financed with funds of TVA's self-financing power program, which ultimately are provided by TVA customers when they pay their electric bills.

Given its statutory responsibility to the ratepayers in the Tennessee Valley to keep electric rates as low as feasible, in each of the wide variety of energy-related research and development agreements entered into by TVA an individual determination is made as to the ownership and rights of the parties to any patents which might result from the agreement. This determination is just one of numerous business judgments the TVA Board must make in the course of operating the Nation's largest electric system in a cost-effective manner. TVA needs to continue to have this flexibility to manage the TVA power program efficiently.

This amendment exemots research and development contracts which involve the use of the nonappropriated funds of TVA's self-financing power system from the strict coverage of the provisions of sections 202 through 205 of S. 414. It is not appropriate to require in all cases that TVA contractors automatically receive title to all inventions which they develop under agreements funded with TVA power system funds.

Nor is it always appropriate for TVA to retain all of the "march-in" and other rights which the bill would require. In TVA's case, it is not uncommon for a business firm to spend its own money on developing a technology and coming to TVA only in the last stage of development to help prove its commercial feasibility in conjunction with the operations of the TVA power system. TVA's contribution in this instance may be relatively small. The business firm may be understandably reluctant to give up the rights this bill would require in such a situation. The net effect would be a reduction in the willingness of firms to try out new technology on the TVA system or to charge TVA more for doing it.

The requirements of the bill would not, therefore, function as an incentive financed by the Nation's taxpayers, but could be an added expense borne solely by the ratepayers of the Tennessee Valley region.

At the same time this amendment would require TVA to follow the provisions of section 202 through 205 of S. 414 with regard to its funding agreements funded with nonappropriated funds to the extent the TVA Board determines they are feasible and consistent with TVA's responsibilities under the TVA Act.

I believe this amendment to S. 414 would provide an effective and equitable approach to enable TVA to continue carrying out its programs in an efficient manner, and I urge its adoption.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. DOLE. Mr. President, as I understand the consent agreement, we are to vote no later than 3:30, or prior to that time if possible.

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. Mr. President, I have listened to some of the discussion today. I believe this bill is a small step in the right direction. I know some Members have concerns about the policy. I am aware of the concerns of the distinguished chairman of the Finance Committee, Senator LONG.

● Mr. STEVENSON. Mr. President, S. 414 is a test of the Senate's concern about America's capacity to produce and compete in a fiercely competitive world. It is not a panacea. It is, in truth, a small part of the solution. But if we are unable to address a problem that has been widely recognized for more than two decades, what can we do? Are we doomed to play out the conventional wisdom, as we did in the twenties, until its futility is inescapable and the moment too late?

Today there is scarcely an industrial sector or technology in which the United States does not face a vigorous challenge. For the United States to hold its own, let alone prosper, in this environment requires redoubled efforts to encourage investment, promote exports, and make economic adjustments, as well as to advance technology and stimulate innovation.

Instead, fiscal and monetary policies lurch from one month's Consumer Price Index and employment figures to the next, compounding economic uncertainty. We provided $1.5 billion in loan guarantees for the geriatric Chrysler Corp., as President Carter, after an 18-month study involving scores of agencies and hundreds of advisers, proposed a mere $55 million for industrial innovation. The new initiatives announced in the President's message to Congress on innovation last October actually cost $44.6 million. Now that pitiful sum has been whittled to $26.1 million in succes-

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sive rounds of budget cutting. The victims of economic orthodoxy include National Science Foundation grants to industry-supported research in universities, grants to small businesses for innovative research and development, and an NSF-sponsored Cooperative Technology Center. Apart from this legislation and S. 1250, to authorize industrial technology centers, very little remains of the President's modest innovation package.

Mr. President, the University and Small Business Patent Procedures Act is far from an ideal bill. Witnesses in 4 days of hearings before the Commerce, Science, and Transportation Committee urged a uniform Government patent policy that did not discriminate on the basis of company size or institutional tax status. The Judiciary Committee report on S. 414 does not present any rationale for granting title to inventions only to small firms and nonprofit organizations. Small businesses do not account for our stagnant productivity, accelerating inflation, and eroding competitiveness in world markets. They continue to generate a large share of major inventions and innovations. Small businesses and universities are not alone in experiencing the disincentives and frustrations of restrictive Government patent policies. Even the administration has recommended comprehensive reform.

S. 414 will be difficult to administer rationally and fairly. It arbitrarily penalizes successful companies that cross the employment or sales limits of one or another of the Small Business Administration's sets of eligibility criteria, all of them devised to suit different administrative purposes.

The legislation discriminates against its proposed beneficiaries. If they are successful in commercializing or licensing their inventions, they will be required to pay back the Government contribution. Neither of these requirements is imposed by the Defense Department, which for many years has granted unrestricted title to contractors in more than two-thirds of military R. & D. contracts, a large proportion of them with the Nation's biggest corporations. Under this bill, DOD must recoup its expenditures from its smallest but not from its largest contractors.

S. 414 would maintain Government ownership of inventions made by a broad range of firms engaged in energy, transportation, and other civilian research and development enterprises whose success depends upon private commercialization of new technologies and for which the Nation's needs are pressing. The Federal research budget includes nearly $10 billion for civilian R. & D. Congress has authorized a massive investment in the development of synthetic fuels and is considering a cooperative program to advance automotive technology. We cannot afford inhibitory patent policies in these areas while we encourage companies to exploit military R. & D. results, routinely and without controversy.

Nonetheless, S. 414 is a small step in the right direction. It recognizes that, on the whole, a policy of granting exclusive rights in return for commercial development stands the best chance of securing the benefits of Federal R. & D. for the public and the economy. It extends the DOD precedent and brings us closer to a uniform patent policy. It gives small research firms a needed incentive to participate in Federal R. & D. programs and encourages the transfer of technology from university laboratories to commercial markets. For these reasons, I support the University and Small Business Patent Procedures Act.

I believe the limitations of S. 414 will soon become apparent, if they are not already apparent to the House committees considering similar legislation. I am confident that Senator SCHMITT and other members of the Commerce Committee will continue their leadership on this issue, and I suspect that many of the sponsors of this bill will support them. In the meantime, the Senate should pass S. 414.●

Mr. SCHMITT. Mr. President, I wish to commend the Senators from Indiana and Kansas for their able leadership on beginning the process toward a comprehensive Government-wide patent policy. The bill under consideration today, S. 414, is a worthwhile measure designed to stimulate the commercialization of inventions made by small business and universities with the assistance of Federal funds.

I recognize that the stated purpose of S. 414 is similar to that of my own bill, S. 1215, the Science and Technology Research and Development Utilization Policy Act, which has been referred to the Senate Commerce Committee. That committee has concluded 4 days of hearings on this bill and the general subject of Government patent policy. The testimony we received during the course of these hearings from industry, business—both large, small and medium size—and academia was overwhelming in support of a uniform Government patent policy that placed title in the hand of the contractor, subject to appropriate safeguards of the public interest.

While I support the basic objectives of S. 414, I am concerned that the bill does not go far enough. This bill would establish a uniform Federal patent policy for small business and nonprofit organizations. The bill would not extend the same rights to other Federal contractors with much greater quantitative impact on the marketing of new technologies. Undoubtedly, however, S. 414 would alleviate many of the special problems facing the important innovative sections of our national R. & D. base, namely, small business and universities.

Yet the problems this Nation is experiencing in technological innovation go well beyond small business and universities which together comprise but a small percentage of all Federal contracts. We cannot afford to ignore that segment of private enterprise consisting of medium-sized and larger businesses which account for 90 percent of our federally sponsored R. & D. effort, more than half of U.S. industrial employment, and 85 percent of U.S. exports.

My bill, S. 1215, would allow all contractors, regardless of size or profit status, to acquire title to their inventions made under Federal contracts while retaining the structure and essential provisions of S. 414. It is essential to achieve the widest possible application of Government-supported technology at a time of lagging innovation, stagnant productivity growth and declining U.S. competitiveness in the international and domestic marketplaces.

Mr. President, I continue to believe that S. 1215 is in the real public interest, and I am hopeful that when reported out of the Commerce Committee it will receive favorable consideration by the Senate as a whole.

● Mr. CANNON. Mr. President, the symbolic importance of S. 414 surpasses what I expect to be its practical benefits. At a time of grim economic statistics and even grimmer prospects, it is a test of the Senate's commitment to renewed productivity and economic growth through technological innovation.

Last year exports grew, the trade balance improved. But the United States continued to register huge deficits in steel, automobiles, and other so-called non-R. & D.-intensive manufactured goods. Our shipments of electrical machinery, aircraft, chemicals, and instruments have not prevented an overall trade deficit in manufactures in 4 of the last 9 years. Even our high technology surplus is slipping, and we have a growing deficit with Japan in electronic and other sophisticated products.

Growth in domestic output per worker in the United States—a key source of our economic growth in the early sixties—declined gradually after 1967, dropped sharply after 1973, and failed to revive in the 1975–78 recovery. Now U.S. productivity gains have come to a standstill. Last year labor productivity actually dropped by nearly 1 percent—only the second such decline since World War II. Other industrialized countries also experienced lower growth rates in the seventies, but none was as poor as ours. We trail all of our major trading partners, including Britain.

The solutions lie in increased investment in new plant and equipment, new products, and new firms. They lie in reform of economic regulation. They lie in cooperative efforts to develop new manufacturing technologies, as Senator STEVENSON and I propose in S. 1250, which the Commerce Committee will soon report to the Senate.

But in no small part the solution also lies in encouraging the widest possible use of Government-supported technologies, removing disincentives to participation in Federal R. & D. programs, and promoting cooperation rather than antagonism between Government and industry. Precisely because of tight budget and fiscal constraints, it is vital to move in the areas where we have flexibility.

As Senators are aware, when this bill was first considered by the Senate in February, I cosponsored an amendment to extend its provisions to all Government contractors in the interest of finally achieving a uniform Government pat-

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ent policy. I believe that should remain the goal, and I note that several sponsors of S. 414 agreed in principle. It detracts nothing from the case for small business and university patent rights to observe that they perform a modest share of Federal R. & D. The Commerce Committee had held 4 days of hearings on comprehensive Government patent policy legislation introduced by Senator SCHMITT. With a single exception, our witnesses strongly endorsed the principle of allowing exclusive commercial use of Government-financed inventions as a necessary incentive, in most cases, to private development and commercialization. Overwhelmingly, they favored a policy of granting title to contractors without discrimination on the basis of size or tax statute. The risk of monopolization was judged to be minimal or nonexistent.

I recognize, however, the underrepresentation of small research companies in Federal R. & D. contracting in spite of their disproportionate contribution to industrial innovation generally. Commercial development of inventions made in university laboratories is especially dependent on their being available for licensing on attractive terms. Allowing these institutions to acquire title to their inventions builds upon the precedent followed by the Defense Department in nearly three-quarters of its R. & D. contracts and brings us closer to a uniform patent policy. For these reasons, I urge my colleagues to support the University and Small Business Patent Procedures Act.●

Mr. DOLE. Mr. President, I yield back any time I have remaining.

Mr. LONG. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator has 12 minutes remaining.

Mr. LONG. Mr. President, the arguments that have been made by the sponsors of this legislation——

The PRESIDING OFFICER. Does the Senator from Kansas yield to the Senator from Louisiana?

Mr. LONG. Mr. President, I meant to ask how much time I had remaining.

The PRESIDING OFFICER. The Senator from Louisiana has no time remaining.

Mr. DOLE. The Senator from Louisiana can have my time.

Mr. LONG. One minute, please.

The arguments made by the sponsor of this legislation are that you can develop a product better if someone has a monopoly than you can if it is in a competitive situation. Basically, Mr President, that is an argument that monopoly is better for the country than is competition. In my judgment it is ridiculous on the face of it.

The idea where the public spends tens of millions of dollars or maybe a hundred million dollars to develop a product and you can give someone a monopoly so he can charge anywhere from 10 to 100 times the cost of manufacturing the thing is ridiculous on the face of it. That is the mercantile theory, when the king would authorize someone to manufacture a product and nobody could compete.

If this Senate thinks that mercantilism is better than capitalism, let them vote for this bill. If they believe that competition is better than monopoly, then they ought to vote against the bill.

Mr. DOLE. The Senator from Kansas, on that note, will yield back the remainder of his time.

The PRESIDING OFFICER. All time has been yielded back. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on agreeing to the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The PRESIDING OFFICER. The question is on the engrossment and the third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Idaho (Mr. CHURCH), the Senator from Massachusetts (Mr. KENNEDY), and the Senator from Wisconsin (Mr. NELSON) are necessarily absent.

Mr. BAKER. I announce that the Senator from Alaska (Mr. STEVENS) and the Senator from Wyoming (Mr. WALLOP) are necessarily absent.

The PRESIDING OFFICER (Mr. BURDICK). Have all Senators voted?

The result was announced—yeas 91, nays 4, as follows:

[Rollcall Vote No. 84 Leg.]

YEAS—91

Armstrong	Goldwater	Nunn
Baker	Gravel	Packwood
Baucus	Hart	Pell
Bayh	Hatch	Percy
Bellmon	Hatfield	Pressler
Bentsen	Hayakawa	Proxmire
Biden	Heflin	Pryor
Boren	Heinz	Ribicoff
Boschwitz	Helms	Riegle
Bradley	Hollings	Roth
Bumpers	Huddleston	Sarbanes
Burdick	Humphrey	Sasser
Byrd, Robert C.	Inouye	Schmitt
Cannon	Jackson	Schweiker
Chafee	Javits	Simpson
Chiles	Jepsen	Stafford
Cochran	Kassebaum	Stennis
Cohen	Lavalt	Stevenson
Cranston	Leahy	Stewart
Culver	Levin	Stone
Danforth	Lugar	Talmadge
DeConcini	Magnuson	Thurmond
Dole	Mathias	Tower
Domenici	Matsunaga	Tsongas
Durenberger	McClure	Warner
Durkin	McGovern	Weicker
Eagleton	Melcher	Williams
Exon	Metzenbaum	Young
Ford	Morgan	Zorinsky
Garn	Moynihan	
Glenn	Muskie	

NAYS—4

Byrd, Harry F., Jr.	Johnston	Randolph
	Long	

NOT VOTING—5

Church	Nelson	Wallop
Kennedy	Stevens	

So the bill (S. 414), as amended, was passed, as follows:

S. 414

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 Patent Procedures Act".

SEC. 2 (a) AMENDMENT OF TITLE 35, UNITED STATES CODE, PATENTS.—Title 35 of the United States Code is amended by adding after chapter 17, a new chapter as follows:

"CHAPTER 18. PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

"Sec.
"200. Policy and objective.
"201. Definitions.
"202. Disposition of rights.
"203. March-in rights.
"204. Return of Government investment.
"205. Preference for United States industry.
"206. Confidentiality.
"207. Uniform clauses and regulations.
"208. Domestic and foreign protection of federally owned inventions.
"209. Regulations governing Federal licensing.
"210. Restrictions on licensing of federally owned inventions.
"211. Precedence of chapter.
"212. Relationship to antitrust laws.

"§ 200. Policy and objective

"It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"§ 201. Definitions

"As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

"(b) 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. Such term 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 herein defined.

"(c) The term 'contractor' means any person, small business firm or nonprofit organization that is a party to a funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(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 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

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benefits are to the extent permitted by law or Government regulations available to the public on reasonable terms.

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

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

"(i) 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)).

"§ 202. Disposition of rights

"(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however,* That a funding agreement may provide otherwise (i) when the funding agreement is for the operation of a Government-owned research or production facility, (ii) 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 this chapter or (iii) 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 of such activities. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the Comptroller General of the United States within thirty days after the award of the applicable funding agreement. 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.

"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's policies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred twenty days of what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.

"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and 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 time.

"(3) A requirement that a contract or electing rights file patent applications 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, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign government or international organization pursuant to 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 and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(6) 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.

"(7) In the case of a nonprofit organization, (A) a prohibition upon the assignment of rights to a subject 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 or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor); (B) a prohibition against the granting of exclusive licenses under United States Patents or Patent Applications in a subject invention by the contractor to persons other than small business firms 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. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use, and a first commercial sale or use with respect to a product of the invention shall not be deemed to end the exclusive period to different subsequent products covered by the invention; (C) a requirement that the contractor share royalties with the inventor; and (D) 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 inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203, 204, and 205 of this chapter.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provisions of this Act and regulations promulgated hereunder.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

"(f)(1) No funding agreement with a small business firm or nonprofit organization shall 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 head of the agency and a written justification has been signed by the head of the agency. Any such provision shall 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 head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph.

"(2) A Federal agency shall not require the licensing of third parties under any such provision unless the head of the agency 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 the practical application of the subject invention or work object. Any such determination shall be on the record after an opportunity for an agency hearing. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

"§ 203. March-in rights

"With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—

"(a) action is necessary because the contractor or assignee 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;

"(b) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;

"(c) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) action is necessary because the agree-

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ment required by section 205 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 205.

"§ 204. Return of Government investment

"(a) If after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business firm, or an assignee of a subject invention of such an organization or firm to whom such invention was assigned for licensing purposes, receives $70,000 in gross income for any one calendar year from the licensing of a subject invention or several related subject inventions, the United States shall be entitled to 15 per centum of all income in excess of $70,000 for that year other than any such excess income received under nonexclusive licenses (except where the nonexclusive licensee previously held an exclusive or partially exclusive license).

"(b)(1) Subject to the provisions of paragraph (2), if after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business firm, or an asignee of a subject invention of such an organization or firm, receives gross income of $1,000,000 for any one calendar year on sales of its products embodying or manufactured by a process employing one or more subject inventions, the United States shall be entitled to a share, the amount of which to be negotiated but not to exceed 5 per centum, of all gross income in excess of $1,000,000 for that year accruing from such sales.

"(2) In no event shall the United States be entitled to an amount greater than that portion of the Federal funding under the funding agreement or agreements under which the subject invention or inventions was or were made expended on activities related to the making of the invention or inventions less any amounts received by the United States under subsection (a) of this section. In any case in which more than one subject invention is involved, no expenditure funded by the United States shall be counted more than once in determining the maximum amount to which the United States is entitled.

"(c) The Director of the Office of Federal Procurement Policy is authorized and directed to revise the dollar amounts in subsections (a) and (b) of this section at least every three years in light of changes to the Consumer Price Index or other indices which the Director considers reasonable to use.

"(d) The entitlement of the United States under subsections (a) and (b) shall cease after (i) the United States Patent and Trademark Office issues a final rejection of the patent application covering the subject invention, (ii) the patent covering the subject invention expires, or (iii) the completion of litigation (including appeals) in which such a patent is finally found to be invalid.

"§ 205. Preference for United States industry

"Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

"§ 206. Confidentiality

"Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

"§ 207. Uniform clauses and regulations

"The Office of Federal Procurement Policy, after receiving recommendations of the Office of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies implementing the provisions of sections 202 through 205 of this chapter and the Office of Federal Procurement Policy shall establish standard funding agreement provisions required under this chapter.

"§ 208. Domestic and foreign protection of federally owned inventions

"Each Federal agency is authorized to—

"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

"(2) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the provisions of chapter 29 of this title as determined appropriate in the public interest;

"(3) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract; and

"(4) transfer custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in any federally owned invention.

"§ 209. Regulations governing Federal licensing

"The Administrator of General Services is authorized to promulgate regulations specifying the terms and conditions upon which any federally owned invention, other than inventions owned by the Tennessee Valley Authority, may be licensed on a nonexclusive, partially exclusive, or exclusive basis.

"§ 210. Restrictions on licensing of federally owned inventions

"(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the license has supplied the agency with a plan for development and/or marketing of the invention, except that any such plan may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a federally owned domestic patent or patent application only if, after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the invention to practical application or otherwise promote the invention's utilization by the public; and

"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small business firms submitting plans that are determined by the agency to be within the capabilities of the firms and equally likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the United States in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with antitrust laws.

"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interest of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: *Provided*, That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code;

"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that the licensee is not executing the plan submitted with its request

for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal Agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

"§ 211. Precedence of chapter

"(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, including but not necessarily limited to the following:

"(1) section 10(a) of the Act of June 29, 1935, as added by title I of the Act of August 14, 1946 (7 U.S.C. 427l(a); 60 Stat. 1085);

"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951 (c); 83 Stat. 742);

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c) 80 Stat. 721);

"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

"(11) subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5);

"(12) section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C 5901; 88 Stat. 1878);

"(13) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 86 Stat. 1211);

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

"(15) section 8001(c)(3) of the Solid Waste Disposal Act (42 U.S.C. 6981(c); 90 Stat. 2829);

"(16) section 219 of the Foreign Assistance Act of 1961 (22 U.S.C. 2179; 83 Stat. 806);

"(17) section 427(b) of the Federal Mine Health and Safety Act of 1977 (30 U.S.C. 937(b); 86 Stat. 155);

"(18) section 306(d) of the Surface Mining and Reclamation Act of 1977 (30 U.S.C. 1226(d); 91 Stat. 455);

"(19) section 21(d) of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2218(d); 88 Stat. 1548);

"(20) section 6(b) of the Solar Photovoltaic Energy Research Development and Demonstration Act of 1978 (42 U.S.C. 5585(b); 92 Stat. 2516);

"(21) section 12 of the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178(j); 92 Stat. 2533); and

"(22) section 408 of the Water Resources and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1360).

The Act creating this chapter shall 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.

"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the distribution of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued by the President on August 23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to agree to allow such persons to retain ownership of inventions.

"(d) Nothing in this chapter shall be construed to require the disclosure of intelligence sources or methods or to otherwise affect the authority granted to the Director of Central Intelligence by statute or Executive order for the protection of intelligence sources or methods.

"§ 212. Relationship to antitrust laws

"Nothing in this chapter 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.".

(b) The table of chapters for title 35, United States Code, is amended by adding immediately after the item relating to chapter 17 the following:

"18. Patent rights in inventions made with Federal assistance.".

SEC. 3. AMENDMENTS TO OTHER ACTS.—The following Acts are amended as follows:

(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".

(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).

(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and (i); 88 Stat. 1889–1891).

SEC. 4. EFFECTIVE DATE.—This Act and the amendments made by this Act, shall take effect one hundred and eighty days after the date of its enactment, except that the regulations referred to in section 2, or other implementing regulations, may be issued prior to that time.

Mr. BAYH. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

CIVIL RIGHTS OF INSTITUTIONALIZED PERSONS—CONFERENCE REPORT

Mr. BAYH. Mr. President, I submit a report of the committee of conference on H.R. 10 and ask for its immediate consideration.

Mr. ROBERT C. BYRD. Mr. President there will be some discussion of this conference report throughout the remainder of the day. It is hoped that on tomorrow, a conclusion of the debate can be reached, or perhaps an agreement as to when a vote can occur on the conference report; but I do not anticipate any rollcall vote on the conference report today.

The PRESIDING OFFICER. The report will be stated.

The assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 10) to authorize actions for redress in cases involving deprivations of rights of institutionalized persons secured or protected by the Constitution and laws of the United States.

Mr. BAYH. Mr. President, I ask unanimous consent that the remainder be considered as read.

Mr. BOREN. I object, Mr. President.

The PRESIDING OFFICER. Objection is heard.

The clerk will continue.

Mr. BOREN. Mr. President——

The PRESIDING OFFICER. The clerk is reading the conference report.

The assistant legislative clerk continued to read the conference report.

Mr. ROBERT C. BYRD. Mr. President, if all Senators will allow me, I should like to call off the reading for just a moment, and then they can object again, if they wish.

I ask unanimous consent that the reading be dispensed with for 1 minute.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. When I said there would be no rollcall votes today, I meant on the adoption of the conference report. I do not foresee a rollcall vote on the adoption of the conference report. There could be a rollcall vote, however, on a procedural matter. So I suggest that Senators not stray too far.

The PRESIDING OFFICER. The clerk will continue reading the conference report.

The assistant legislative clerk continued to read the conference report.

Mr. BAYH. Mr. President, a parliamentary inquiry. Is it proper to request that the clerk sit while reading?

The PRESIDING OFFICER. There is nothing in the rules that indicates whether the clerk should sit or stand.

Mr. THURMOND. Mr. President, we have no objection to his sitting. He will be more comfortable.

The PRESIDING OFFICER. The clerk will continue to read while sitting.

The assistant legislative clerk continued to read the conference report.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that further reading of the conference report be dispensed with.

The PRESIDING OFFICER (Mr. STEWART). Without objection, it is so ordered.

ORDER FOR RECESS UNTIL 10 A.M. TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business today it stand in recess until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

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LIS-4

Calendar No. 515

96TH CONGRESS
1st Session

SENATE

REPORT
No. 96-480

UNIVERSITY AND SMALL BUSINESS PATENT PROCEDURES ACT

DECEMBER 12 (legislative day, NOVEMBER 29), 1979.—Ordered to be printed

Mr. BAYH, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany S. 414, as amended]

The Committee on the Judiciary, to which was referred the bill (S. 414) to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes, having considered the same, reports favorably thereon, with an amendment, and recommends that the bill as amended do pass.

I. PURPOSE

Evidence is mounting that the United States is falling behind its international competition in the development of new products and inventions. There are a number of indications of the seriousness of this trend:

The United States importation of foreign manufactured goods is now second only to the importation of foreign oil (the U.S. suffered a trade deficit in 1978 of $5.8 billion on the importation of manufactured goods);

The number of U.S. patents granted to foreigners has risen since 1973 and now accounts for 35 percent of all patents issued in this country;

Investment in research and development over the past 10 years, in constant dollars, has failed to increase;

American productivity is growing at a much slower rate than that of our free world 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

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The number of patentable inventions made under federally-supported research has been in a steady decline, even in those years when the actual research appropriation has been increased over previous years.

The Joint Economic Committee issued on August 13, 1979 a summary of the midyear report and staff study entitled "Outlook 1980's" which concluded that the current recession-inflation problem is actually worse than believed, and that if productivity continues to decline there will be a noticeable drop in our standard of living in the 1980's.[1]

While this deterioration probably has multiple causes, an important factor is very likely a slowdown in technological innovation in the United States. The role that technological innovation plays in the economic well being of our Nation is highly significant. The Senate Select Committee on Small Business cited a study which attributed 45 percent of the Nation's economic growth from 1929 to 1969 to technological innovation.[2]

One factor that can be clearly identified as a part of this problem is the inability of the Federal agencies to deliver new inventions and processes from their research and development programs to the marketplace where they can benefit the public. A prime cause of this failure is the existence of ineffective patent policies regarding ownership of potentially important discoveries. In general, the present patent policies require contractors and grantees to allow the funding agency to own any patentable discoveries made under research and development supported by the Federal Government unless the contractor or grantee successfully completes lengthy waiver procedures justifying why patent rights should be left to the inventor. Many times the agencies provide only partial support of a project, but even if the Government has provided a small percentage of the total money involved in the research and development, it can take the patent rights to resulting inventions.

Agencies which acquire these patents generally follow a passive approach of making them available to private businesses for development and possible commercialization through nonexclusive licenses. This has proven to be an ineffective policy as evidenced by the fact that of the more than 28,000 patents in the Government patent portfolio, less than 4 percent are successfully licensed.[3] The private sector simply needs more protection for the time and effort needed to develop and commercialize new products than is afforded by a nonexclusive license. Universities, on the other hand, which can offer exclusive or partially exclusive licenses on their patents if necessary, have been able to successfully license 33 percent of their patent portfolios.[4]

Presently, there are at least 24 different patent policies in effect in the Federal agencies. These are frequently contradictory from agency to agency (and even sometimes within the same agency) and have proven to be formidable barriers to organizations interested in participation in Government work. The mere complexity of these policies

[1] "Outlook 1980's," Midyear Report and Staff Study of the Joint Economic Committee, Congress of the United States, 96th Congress, 1st session, August 1979, pp. 7–13.
[2] "Small Business and Innovation," Report of the Select Committee on Small Business, United States Senate, on Underutilization of Small Business in the Nation's Efforts to Encourage Industrial Innovation, 96th Congress, 1st session, June 14, 1979, p. 3.
[3] "Government Patent Policy," hearings before the Subcommittee on Domestic and International Scientific Planning and Analysis of the Committee on Science and Technology, U.S. House of Representatives, 94th Congress, 2d session, Sept. 23, 27, 29, Oct. 1, 1976, pp. 896–897.
[4] Ibid., p. 897.

constitutes a very real hurdle to universities, nonprofit organizations, and small businesses who do not have large legal staffs to negotiate through this policy maze. Regardless of how unattractive the Government patent policies are, some of these organizations, particularly universities, will continue to seek research and development contracts and grants for reasons other than the commercialization of resulting inventions. Others, particularly product-oriented small business, refrain from participating in Government research and development because of these policies. The question is how to insure that the public supporting this research is able to use and benefit from important inventions that they are helping to support, and how to encourage performance of Federal research and development by the most innovative and qualified organizations.

S. 414, the University and Small Business Patent Procedures Act, establishes uniform Federal policies with respect to inventions made by nonprofit organizations, universities, and small businesses under Government-supported research and development programs. It also authorizes and establishes procedures for licensing inventions owned by the Federal Government which are not being developed under the present licensing programs.

The bill is designed to promote the utilization and commercialization of inventions made with Government support, to encourage the participation of smaller firms in the Government research and development process, and to promote increased cooperation and collaboration between the nonprofit and commercial sectors. Ultimately, it is believed that these improvements in Government patent policy will lead to greater productivity in the United States, provide new jobs for our citizens, create economic growth, foster increased competition, make Government research and development contracting more competitive, and stimulate a greater return on the billions of dollars spent each year by the Government on its research and development programs.

II. Text of Senate Bill S. 414

The text of S. 414 is as follows:

A BILL To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; 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 Patent Procedures Act".

Sec. 2. (a) Amendment of Title 35, United States Code, Patents.—Title 35 of the United States Code is amended by adding after chapter 17, a new chapter as follows:

"CHAPTER 18.—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

"Sec.
"200. Policy and objective.
"201. Definitions.
"202. Disposition of rights.

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"Sec.
"203. March-in rights.
"204. Return of Government investment.
"205. Preference for United States industry.
"206. Confidentiality.
"207. Uniform clauses and regulations.
"208. Domestic and foreign protection of federally owned inventions.
"209. Regulations governing Federal licensing.
"210. Restrictions on licensing of federally owned inventions.
"211. Precedence of chapter.
"212. Relationship to antitrust laws.

"SEC. 200. POLICY AND OBJECTIVE.—It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area.

"SEC. 201. DEFINITIONS.—As used in this chapter—

"(a) The term 'Federal agency' means any executive agency as defined in section 105 of title 5, United States Code, and the military departments as defined by section 102 of title 5, United States Code.

"(b) The term 'funding agreement' 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 of parties, or subcontract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement as herein defined.

"(c) The term 'contractor' means any person that is a party to a funding agreement.

"(d) The term 'invention' means any invention or discovery which is or may be patentable or otherwise protectable under this title.

"(e) The term 'subject invention' means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement.

"(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 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.

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

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

"(i) 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)).

"SEC. 202. DISPOSITION OF RIGHTS.—(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however*, That a funding agreement may provide otherwise (i) when the funding agreement is for the operation of a Government-owned research or production facility, (ii) 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 this chapter, or (iii) when it is determined by a Government authority which is authorized by statue 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 of such activities. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

"(b)(1) Any determination under (ii) of paragraph (a) of this section shall be in writing and accompanied by a written statement of facts justifying the determination. A copy of each such determination and justification shall be sent to the Comptroller General of the United States within thirty days after the award of the applicable funding agreement. 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.

"(2) If the Comptroller General believes that any pattern of determinations by a Federal agency is contrary to the policy and objectives of this chapter or that an agency's policies or practices are otherwise not in conformance with this chapter, the Comptroller General shall so advise the head of the agency. The head of the agency shall advise the Comptroller General in writing within one hundred twenty days of

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what action, if any, the agency has taken or plans to take with respect to the matters raised by the Comptroller General.

"(3) At least once each year, the Comptroller General shall transmit a report to the Committees on Judiciary of the Senate and House of Representatives on the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.

"(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

"(1) A requirement that the contractor disclose each subject invention to the Federal agency within a reasonable time after it is made and that the Federal Government may receive title to any subject invention not reported to it within such time.

"(2) A requirement that the contractor make an election to retain title to any subject invention within a reasonable time after disclosure and 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 time.

"(3) A requirement that a contractor electing rights file patent applications 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, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world, and may, if provided in the funding agreement, have additional rights to sublicense any foreign government or international organization pursuant to 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 and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(6) 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.

"(7) In the case of a nonprofit organization: (a) a prohibition upon the assignment of rights to a subject 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 or does not hold a substantial interest in other organizations engaged in the manufacture or sale of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention (provided that such assignee shall be subject to the same provisions as the contractor); (b) a prohibition against the granting of exclusive licenses under United States Patents or Patent Applications in a subject invention by the contractor to persons other than small business firms 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. If exclusive field of use licenses are granted, commercial sale or use in one field of use shall not be deemed commercial sale or use as to other fields of use, and a first commercial sale or use with respect to a product of the invention shall not be deemed to end the exclusive period to different subsequent products covered by the invention; (c) a requirement that the contractor share royalties with the inventor; and (d) 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 inventions, be utilized for the support of scientific research or education.

"(8) The requirements of sections 203, 204, and 205 of this chapter.

"(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provisions of this Act and regulations promulgated hereunder.

"(e) In any case when a Federal employee is a coinventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.

"(f)(1) No funding agreement with a small business firm or nonprofit organization shall contain a provision allowing a Federal agency to require the licensing to third parties of

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inventions owned by the contractor that are not subject inventions unless such provision has been approved by the head of the agency and a written justification has been signed by the head of the agency. Any such provisions shall 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 head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph.

"(2) A Federal agency shall not require the licensing of third parties under any such provision unless the head of the agency 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 the practical application of the subject invention or work object. Any such determination shall be on the record after an opportunity for an agency hearing. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

"SEC. 203. MARCH-IN RIGHTS.—With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—

"(a) action is necessary because the contractor or assignee 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;

"(b) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;

"(c) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

"(d) action is necessary because the agreement required by section 205 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 205.

"SEC. 204. RETURN OF GOVERNMENT INVESTMENT.—(a) If after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business

firm, or an assignee of a subject invention of such an organization or firm to whom such invention was assigned for licensing purposes, receives $70,000 in gross income for any one calendar year from the licensing of a subject invention or several related subject inventions, the United States shall be entitled to 15 per centum of all income in excess of $70,000 for that year other than any such excess income received under nonexclusive licenses (except where the nonexclusive licensee previously held an exclusive or partially exclusive license).

"(b)(1) Subject to the provisions of paragraph (2), if after the first United States patent application is filed on a subject invention, a nonprofit organization, a small business firm, or an assignee of a subject invention of such an organization or firm, receives gross income of $1,000,000 for any one calendar year on sales of its products embodying or manufactured by a process imploying one or more subject inventions, the United States shall be entitled to a share, the amount of which to be negotiated but not to exceed 5 per centum, of all gross income in excess of $1,000,000 for that year accruing from such sales.

"(2) In no event shall the United States be entitled to an amount greater than that portion of the Federal funding under the funding agreement or agreements under which the subject invention or inventions was or were made expended on activities related to the making of the invention or inventions less any amounts received by the United States under subsection (a) of this section. In any case in which more than one subject invention is involved, no expenditure funded by the United States shall be counted more than once in determining the maximum amount to which the United States is entitled.

"(c) The Director of the Office of Federal Procurement Policy is authorized and directed to revise the dollar amounts in subsections (a) and (b) of this section at least every three years in light of changes to the Consumer Price Index or other indices which the Director considers reasonable to use.

"(d) The entitlement of the United States under subsections (a) and (b) shall cease after (i) the United States Patent and Trademark Office issues a final rejection of the patent application covering the subject invention, (ii) the patent covering the subject invention expires, or (iii) the completion of litigation (including appeals) in which such a patent is finally found to be invalid.

"SEC. 205. PREFERENCE FOR UNITED STATES INDUSTRY.—Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured susbtantially in

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the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

"SEC. 206. CONFIDENTIALITY.—Federal agencies are authorized to withhold from disclosure to the public information disclosing any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) for a reasonable time in order for a patent application to be filed. Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office.

"SEC. 207. UNIFORM CLAUSES AND REGULATIONS.—The Office of Federal Procurement Policy, after receiving recommendations of the Office of Science and Technology Policy, may issue regulations which may be made applicable to Federal agencies implementing the provisions of sections 202 through 205 of this chapter and the Office of Federal Procurement Policy shall establish standard funding agreement provisions required under this chapter.

"SEC. 208. DOMESTIC AND FOREIGN PROTECTION OF FEDERALLY OWNED INVENTIONS.—Each Federal agency is authorized to—

"(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

(2) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned patent applications, patents, or other forms of protection obtained, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the provisions of chapter 29 of this title as determined appropriate in the public interest;

"(3) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract; and

"(4) transfer custody and administration, in whole or in part, to another Federal agency, of the right title, or interest in any federally owned invention.

"SEC. 209. REGULATIONS GOVERNING FEDERAL LICENSING.—The Administrator of General Services is authorized to promulgate regulations specifying the terms and conditions upon

which any federally owned invention may be licensed on a nonexclusive partially exclusive, or exclusive basis.

"SEC. 210. RESTRICTIONS ON LICENSING OF FEDERALLY OWNED INVENTIONS.—(a) No Federal agency shall grant any license under a patent or patent application on a federally owned invention unless the person requesting the license has supplied the agency with a plan for development and/or marketing of the invention, except that any such plan may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code.

"(b) A Federal agency shall normally grant the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.

"(c)(1) Each Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a federally owned domestic patent or patent application only if, after public notice and opportunity for filing written objections, it is determined that—

"(A) the interests of the Federal Government and the public will best be served by the proposed license, in view of the applicant's intentions, plans, and ability to bring the invention to practical application or otherwise promote the invention's utilization by the public;

"(B) the desired practical application has not been achieved, or is not likely expeditiously to be achieved, under any nonexclusive license which has been granted, or which may be granted, on the invention;

"(C) exclusive or partially exclusive licensing is a reasonable and necessary incentive to call forth the investment of risk capital and expenditures to bring the invention to practical application or otherwise promote the invention's utilization by the public; and

"(D) the proposed terms and scope of exclusivity are not greater than reasonably necessary to provide the incentive for bringing the invention to practical application or otherwise promote the invention's utilization by the public.

"(2) A Federal agency shall not grant such exclusive or partially exclusive license under paragraph (1) of this subsection if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws.

"(3) First preference in the exclusive or partially exclusive licensing of federally owned inventions shall go to small

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business firms submitting plans that are determined by the agency to be within the capabilities of the firms and equally likely, if executed, to bring the invention to practical application as any plans submitted by applicants that are not small business firms.

"(d) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, any Federal agency may grant exclusive or partially exclusive licenses in any invention covered by a foreign patent application or patent, after public notice and opportunity for filing written objections, except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license will tend substantially to lessen competition or result in undue concentration in any section of the United States in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with antitrust laws.

"(e) The Federal agency shall maintain a record of determinations to grant exclusive or partially exclusive licenses.

"(f) Any grant of a license shall contain such terms and conditions as the Federal agency determines appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

"(1) periodic reporting on the utilization or efforts at obtaining utilization that are being made by the licensee with particular reference to the plan submitted: *Provided*, That any such information may be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5 of the United States Code;

"(2) the right of the Federal agency to terminate such license in whole or in part if it determines that the licensee is not executing the plan submitted with its request for a license and the licensee cannot otherwise demonstrate to the satisfaction of the Federal Agency that it has taken or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention;

"(3) the right of the Federal agency to terminate such license in whole or in part if the licensee is in breach of an agreement obtained pursuant to paragraph (b) of this section; and

"(4) the right of the Federal agency to terminate the license in whole or in part if the agency determines that such action is necessary to meet requirements for public use specified by Federal regulations issued after the date of the license and such requirements are not reasonably satisfied by the licensee.

"SEC. 211. PRECEDENCE OF CHAPTER.—(a) This chapter shall take precedence over any other Act which would require a disposition of rights in subject inventions of small business

firms or nonprofit organizations contractors in a manner that is inconsistent with this chapter, 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 U.S.C. 427i(a); 60 Stat. 1085);

"(2) section 205(a) of the Act of August 14, 1946 (7 U.S.C. 1624(a); 60 Stat. 1090);

"(3) section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat. 742);

"(4) section 106(c) of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c); 80 Stat. 721);

"(5) section 12 of the National Science Foundation Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

"(6) section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182; 68 Stat. 943);

"(7) section 305 of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457);

"(8) section 6 of the Coal Research Development Act of 1960 (30 U.S.C. 666; 74 Stat. 337);

"(9) section 4 of the Helium Act Amendments of 1960 (50 U.S.C. 167b; 74 Stat. 920);

"(10) section 32 of the Arms Control and Disarmament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

"(11) subsection (e) of section 302 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App. 302(e); 79 Stat. 5);

"(12) section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 88 Stat. 1878);

"(13) section 5(d) of the Consumer Product Safety Act (15 U.S.C. 2054(d); 86 Stat. 1211);

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

"(15) section 8001(c)(3) of the Solid Waste Disposal Act (42 U.S.C. 6981(c); 90 Stat. 2829);

"(16) section 219 of the Foreign Assistance Act of 1961 (22 U.S.C. 2179; 83 Stat. 806);

"(17) section 427(b) of the Federal Mine Health and Safety Act of 1977 (30 U.S.C. 937(b)); 86 Stat. 155);

"(18) section 306(d) of the Surface Mining and Reclamation Act of 1977 (30 U.S.C. 1226(d); 91 Stat. 455);

"(19) section 21(d) of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2218(d); 88 Stat. 1548);

"(20) section 6(b) of the Solar Photovoltaic Energy Research Development and Demonstration Act of 1978 (42 U.S.C. 5585(b); 92 Stat. 2516);

"(21) section 12 of the Native Latex Commercialization and Economic Development Act of 1978 (7 U.S.C. 178(j); 92 Stat. 2533); and

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"(22) section 408 of the Water Resources and Development Act of 1978 (42 U.S.C. 7879; 92 Stat. 1360).

The Act creating this chapter shall 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.

"(b) Nothing in this chapter is intended to alter the effect of the laws cited in paragraph (a) of this section or any other laws with respect to the disposition of rights in inventions made in the performance of funding agreements with persons other than nonprofit organizations or small business firms.

"(c) Nothing in this chapter is intended to limit the authority of agencies to agree to the distribution of rights in inventions made in the performance of work under funding agreements with persons other than nonprofit organizations or small business firms in accordance with the Statement of Government Patent Policy issued by the President on August 23, 1971 (36 Fed. Reg. 16887), agency regulations, or other applicable regulations or to otherwise limit the authority of agencies to agree to allow such persons to retain ownership of such inventions.

"(d) Nothing in this chapter shall be construed to require the disclosure of intelligence sources or methods or to otherwise affect the authority granted to the Director of Central Intelligence by statute or Executive order for the protection of intelligence sources or methods.

"SEC. 212. RELATIONSHIP TO ANTITRUST LAWS.—Nothing in this chapter 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.".

(b) The table of chapters for title 35, United States Code, is amended by adding immediately after the item relating to chapter 17 the following:

"18. Patent rights in inventions made with Federal assistance.".

SEC. 3. AMENDMENTS TO OTHER ACTS.—The following Acts are amended as follows:

(a) Section 156 of the Atomic Energy Act of 1954 (42 U.S.C. 2186; 68 Stat. 947) is amended by deleting the words "held by the Commission or".

(b) The National Aeronautics and Space Act of 1958 is amended by repealing paragraph (g) of section 305 (42 U.S.C. 2457(g); 72 Stat. 436).

(c) The Federal Nonnuclear Energy Research and Development Act of 1974 is amended by repealing paragraphs (g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and (i); 88 Stat. 1889-1891).

SEC. 4. EFFECTIVE DATE.—This Act and the amendments made by this Act, shall take effect one hundred and eighty days after the date of its enactment, except that the regulations referred to in section 2, or other implementing regulations, may be issued prior to that time.

III. LEGISLATIVE HISTORY

There have been numerous attempts to formulate a uniform patent policy for the Federal agencies. Dating back to President Kennedy's Memorandum and Statement of Government Patent Policy in 1963, the executive branch has sought to formulate an administrative patent policy to apply to all of the agencies. The recent study of the present patent policies presented to the committee on May 16, 1979 in the testimony of the Comptroller General of the United States, Mr. Elmer B. Staats, found that this goal had not been reached and that legislation to establish a uniform patent policy is sorely needed.

The University and Small Business Patent Procedures Act introduced by Senators Bayh and Dole on February 9, 1979 would create such a patent policy for small businesses, universities, and nonprofit organizations for the first time.

Two days of hearings were held by the Senate Judiciary Committee on May 16, 1979 and on June 6, 1979. The witnesses at the hearing represented a wide range of expertise including university officials, individual inventors, small business presidents, patent organizations, and the Comptroller General of the United States.

IV. BACKGROUND

In his address to the Congress in March, 1979 on science and technology, President Carter made the following statement:

> As a Nation, we face the problems of inflation, unemployment, foreign competition, and a decline in the growth of national productivity.[5]

Evidence supporting this observation is amply supplied by recent studies indicating that the United States is falling behind its international competition in a number of technological areas. The most recent productivity statistics issued by the Department of Labor have been the source of very real concern in the Congress as our productivity rate continues to slump.

Early in 1977, after extensive study and review by a 10 agency panel, the Office of Federal Procurement Policy of the Office of Management and Budget reached the following conclusion:

> While astonishing achievements have occurred since World War II, there is now considerable evidence that (U.S.) product innovation has either leveled off or declined in many industries.[6]

At a time when many foreign companies are redoubling their basic research efforts to remain in the forefront of innovation in their respective industries, many domestic companies are actually cutting back on their own basic research. This is a particularly disturbing trend because of the evidence that basic research is precisely the area

[5] Federal Government Policy on Science and Technology, Celebrating the Centennial of Birth of Albert Einstein and Thomas Alva Edison, Congressional Record, Mar. 27, 1979, p. H1680.

[6] "Small Firms and Federal Research and Development," Report of the Office of Procurement Policy, Office of Management and Budget, Executive Office of the President, Mar. 10, 1977, Introduction.

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where exciting innovations are most likely to be produced. In the United States, universities and nonprofit organizations conducted 67.8 percent of all the basic research performed last year.[7] It is imperative, therefore, that we receive the optimum return on the Federal Government's basic research expenditures since this is becoming by far the largest source of American basic research money.

A. THE COMPTROLLER GENERAL'S SUMMARY OF PREVIOUS ATTEMPTS TO REVISE GOVERNMENT PATENT POLICIES

As mentioned before, previous attempts to generate a uniform patent policy which would guarantee maximum commercialization of the inventions produced each year by the Federal research and development expenditure have failed to achieve their objective. The Comptroller General summarized the previous attempts to reach this goal in his testimony to the committee on May 16, 1979 as follows:

1. Need for uniform patent legislation

There have been a number of attempts to establish a uniform patent policy for the Federal Government. Foremost among them have been the Presidential Memorandum and Statement of Government Patent Policy first issued in 1963 and then revised in 1971. These attempts have been relatively unsuccessful and policy has developed over the years on an agency-by-agency basis. There are wide variances in the way agencies have interpreted the Presidential policy and piecemeal legislation has made uniform implementation by the agencies increasingly difficult. As a result, today there are approximately 20 different patent arrangements employed by the various Executive agencies.

The proposed legislation (S. 414) would, in our opinion, go a long way in overcoming this confusion. It deals explicitly with licensing and sets forth ownership provisions for small business and nonprofit organizations. However, the treatment of other business entities would still be governed by Presidential policy or statute.

2. Commission on Government Procurement

The bipartisan Commission on Government Procurement, which included members from the Senate, House, Executive Branch agencies, and the private sector, was established to recommend improvements in all aspects of procurement policy. A major task group of the Commission reviewed Government patent policy.

The Commission placed considerable importance on the need for Government patent policies to stimulate commercialization of inventions. Its December 1972 report stated that effective patent policy must take advantage of the fact that development will be promoted by those having an exclusive interest; at the same time, the policy must provide for others to exploit the invention if an exclusive interest does not produce the desired result.

[7] Chemical and Engineering News, July 23, 1979, p. 37.

The Commission was skeptical of the Presidential policy because it relied on after-the-fact disposition of patent rights. They saw that policy as causing delayed utilization of discoveries, increased administrative costs, and a lessening in the willingness of some firms to participate in Government research work.

Nevertheless, the Commission recommended prompt and uniform implementation by the executive agencies so that further assessment could be based on actual experience. If such an assessment revealed weaknesses in the policy, the Commission suggested a legislative approach which would permit retention of title by contractors, subject to march-in rights and other safeguards. It also recommended legislation granting all agencies clear-cut authority to issue exclusive licenses.

The Commission considered the Federal Council for Science and Technology's Committee on Government Patent Policy to be in the best position to assess agency progress in implementing the revised policy.

3. Committee on Government Patent Policy

The Committee on Government Patent Policy, which included representatives from most of the R&D agencies, evaluated executive agency experience under the Presidential policy and concluded, in 1975, that it had not been effectively or uniformly implemented. The committee found that patent policy legislation was needed to unify agency practices for allocating rights to contractor inventions and to clarify agency authority to grant exclusive licenses for Government-owned inventions.

The committee's conclusion that legislation was needed appears to have been influenced by two situations. First, there was the enactment of patent legislation applicable to individual agencies, particularly Section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974, with title-in-the-Government orientation. The same language has since been incorporated by reference in other acts affecting various agencies' R&D programs, such as the water resources and solid waste disposal acts.

The second situation was the confusion created by two lawsuits brought against the Government, by Public Citizens, Inc., that questioned the authority of Federal agencies to exclusively license inventions and allow Government contractors to retain title to inventions. Because both suits were dismissed for lack of standing to sue, and not on their merit, the issue was not resolved.

4. Executive agencies procedures and practices

GAO reviewed the current patent procedures and practices at selected agencies and found that the Presidential policy had not been implemented uniformly. Agencies, in establishing procedures for determining rights to inventions, are often free to move in almost any direction.

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B. PRESIDENT CARTER'S DOMESTIC POLICY REVIEW

The Draft Report on Patent Policy issued by the Advisory Subcommittee on Patent and Information Policy of the Advisory Committee on Industrial Innovation established as a part of President Carter's Domestic Policy Review also considered the effects of Government patent policy and concluded in its December 20, 1978 report:

> Experience has shown that the Government, as a purchaser or consumer of goods and services, is not in a position to take advantage of its ownership of patents to promote enterprise. Private companies, on the other hand, who are in a position to utilize the patent grant are ordinarily unwilling to take a nonexclusive license under a Government-owned patent and commit the necessary funds to develop the invention, since it has no protection from competition. This is a major reason that over 90 percent of all Government patents are not used. Another important reason is that the Government obtains patents on technology which, in the opinion of the private sector, does not provide an attractive business opportunity.
>
> Several years ago, the Federal Council for Science and Technology supported the most thorough study ever conducted on the issue of Government patents, commonly referred to as the Harbridge House Report. The following findings were included in the report:
>
> Government ownership of patents with an offer of free public use does not alone result in commercialization of research results.
>
> A low, overall commercial utilization rate of Government-generated inventions has been achieved; that rate doubled, however when contractors with commercial background positions were allowed to keep exclusive commercial rights to the inventions.
>
> "Windfall profits" do not result from contractors retaining title to such inventions.
>
> Little or no anti-competitive effect resulted from contractor ownership of inventions because contractors normally licensed such technology, and where they did not, alternative technologies were available.[8]

The Draft Report concluded:

> Therefore, all members of this subcommittee recommend transferring the patent rights on the results of Government-sponsored research to the private sector for commercialization. In the case of university or private contractor work sponsored by the Government, the members of this subcommittee recommend that title to the patents would go to the university or private contractor, but some members feel the Government should have "march-in rights" (i.e. when the invention is not being used and it appears that there is a public need to use the invention, the Government would have the right to transfer

[8] Draft Report on Patent Policy, Advisory Committee on Patent and Information Policy of the Advisory Committee on Industrial Innovation, presented to Assistant Secretary for Science and Technology Jordan J. Baruch, Department of Commerce, Dec. 20, 1978, pp. 1–2, Proposal V.

> patent rights to those in the private sector willing to use the invention). . . . In all cases, the Government would retain a nonexclusive license to use and have made for its use inventions founded in whole or in part by governmental expense.
>
> . . . Our information indicates that the United States Government has been filing in excess of 3,000 United States patent applications a year, which amounts to approximately 3% of the total workload in the United States Patent and Trademark Office. A decision not to file patent applications on behalf of the Government would result in the PTO having available 3 percent of its total capability that could be directed to reducing the backlog in the PTO and re-issue program and the anticipated re-examination procedures. In addition, this decision would save the time of Government patent attorneys who normally prepare and prosecute the patent applications and the cost of having patent applications prepared by attorneys in private practice. Time and money thus saved could be utilized to provide needed services in other areas of Government.[9]

It has been well demonstrated over a number of years that Federal agencies are not as successful in delivering new products and inventions to the marketplace as the private sector. The result is that the public is not receiving the full benefits of the research and development efforts that it is supporting. It is in the public interest to see that new discoveries are commercialized as quickly as possible without the artificial restraints caused by the unnecessary delays and uncertainties of the present Government patent policies which only serve to make an already risky attempt to develop new products more of a burden on interested companies.

C. HOW CURRENT PATENT POLICIES AFFECT UNIVERSITY RESEARCH AND DEVELOPMENT

In 1977 the Federal Government provided $3.35 billion in support of research at universities, hospitals, and nonprofit organizations. Much of this money is spent in basic research. Basic research is not specifically geared to producing new inventions, but seeks to expand the frontiers of knowledge. Patentable inventions often arise as unexpected by-products of this research effort. The funding agency is rarely in a position to develop these reported inventions. It has been estimated by many experts that the cost of taking a new invention from basic research through development and commercialization costs 10 times as much as did the basic research itself. Quite clearly this is an enormous investment without any guarantee that the invention will be successful in the marketplace. Additionally, a medical discovery faces lengthy, expensive regulatory procedures before any new medicine can be marketed. Mr. Howard Bremer, the president of the Society of University Patent Administrators, told the committee when questioned by Senator Bayh of a drug developed at the University of Wisconsin which cost a private licensee $10 million and took 10 years to complete the developmental and regulatory stages. It should be remembered that all of this time and expense was undertaken without any financial

[9] Ibid., pp. 3–4, Proposal V.

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returns on this investment of time and money. This example is typical of the types of risks encountered in developing and marketing new drugs which are so important for the health and welfare of the American public and of the world at large. When agencies insist on retaining patent rights to medical discoveries and try to have them developed through nonexclusive licensing there are rarely any takers. The experiences of the National Institutes of Health, which conducts the medical research for HEW, bears this out. A GAO study conducted in 1968 found that HEW's policy of retaining patent rights to inventions arising from its supported research programs resulted in an inability to obtain the cooperation of industry in developing potential important new drugs.[10]

The GAO study concluded:

> We believe it is important to note that, in a meeting with agency officials in June 1966, the President of the United States expressed specific interest in medicinal research and in achieving increased practical results from drug research in the form of treatment of diseases. Agency officials have advised the President that a major impediment to these goals has been the patent policy which has made it extremely difficult to make use of the resources and services of the pharmaceutical industry.
>
> Following this meeting, the President referred to the substantial amount of funds being spent annually by NIH on biochemical research and, after mentioning the role of medical research in control of polio and tuberculosis and in psychiatric treatment, stated:[11]
>
> "These examples provide dramatic proof of what can be achieved if we apply the lessons of research to detect, to deter and to cure disease. The Nation faces a heavy demand on its hospitals and health manpower. Medical research, effectively applied, can help reduce the load by preventing disease before it occurs, and by curing disease when it does strike.
>
> "But the greater reward is in the well-being of our citizens. We must make sure that no life-giving discovery is locked up in the laboratory."
>
> It is apparent that HEW officials have, for some time, recognized the problems discussed in this report, and we have since been informed that remedial measures are under way or under consideration, including changes in the patent agreement for screening and testing purposes, increased use of institutional agreements, and more expeditious assignment of invention rights at the time of grant award. However, until such time as the contemplated actions have been fully implemented, it is not practicable for us to assess the effectiveness of those various measures and to determine whether they will enable investigators to obtain adequate screening and testing services in connection with their HEW-supported research activities.[12]

[10] "Problem Areas Affecting Usefulness of Results of Government Sponsored Research in Medicinal Chemistry," General Accounting Office, B-164031(2), 1968.
[11] Weekly compilation of Presidential Documents, July 4, 1966, p. 837.
[12] *Ibid.*, pp. 31–32.

Following this report, HEW instituted the Institutional Patent Agreements (or I.P.A.'s) to cope with this problem and other means of expeditiously disposing of inventions not covered by an I.P.A. The I.P.A. program provides a first option to qualified universities and nonprofit organizations to inventions that they make under HEW-supported research efforts.

Since instituting the I.P.A. program a number of potentially important new drugs initially funded under HEW research have been delivered to the public through the involvement of private industry in developing, testing, and marketing these discoveries. Prior to the I.P.A. program, however, *not one drug* had been developed and marketed from HEW research because of a lack of incentives to the private sector to commit the time and money needed to commercialize these discoveries.[13]

This program has been so successful that it has been copied by other agencies such as the National Science Foundation and was approved by the General Services Administration in 1978 and made available to all interested agencies under Federal Procurement Regulation Amendment 187 adopted on January 27, 1978.

Ironically, HEW now seems to be returning to its pre-1968 patent polices with the result that Senator Dole in late 1978 compiled a list of 29 important medical discoveries that had been delayed from 9 months to well over a year before HEW was able to determine whether or not the agency would retain patent rights. During the delays, the development of the invention is in limbo because potential licensees are afraid that the agency will insist on retaining title to the patent rights. Follow-up review has shown no improvement in HEW's performance. (The GAO patent policy study presented to the Committee on May 16, 1979, also found that the Department of Energy frequently takes up to 15 months to process these patent ownership requests from its contractors).

HEW has also shown a reluctance in recent years to admit new participants to the I.P.A. program despite the fact that universities and nonprofit organizations have a much better record at licensing out their patents than the agency.

There is no justification for new inventions made under university, nonprofit organization, or small business research having to undergo these long delays to determine patent ownership. Such delays serve to seriously jeopardize the ability of new inventions to be commercialized. Passage of S. 414 will end this uncertainty and prevent these promising inventions from being suffocated under reams of unnecessary bureaucratic redtape.

It should be noted that the agencies can retain title to inventions arising from research which only received a small percentage of its funding from the Government. Mr. Bremer pointed out that universities receive their funding from a number of sources both private and public. Even the receipt of a small percentage of Federal money however, can throw the whole issue of patent ownership into considerable confusion. Many small companies have told the committee that they are reluctant to use university research facilities because they fear

[13] Testimony of Mr. Norman Latker, patent counsel, Dept. of Health, Education, and Welfare, House Subcommittee on Science, Research and Technology, May 26, 1977, 95th Congress, 1st session, p. 8.

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that any resulting patent rights might be "tainted" if the university is also receiving Federal support in related research. This serves to close off a potentially important avenue of product development to the small businessman and places small business at a further disadvantage to the large corporation which can afford to pursue its own research or can buy up promising patents from smaller companies.

President Carter has stated that the creation of a "partnership" between universities and industry is a goal of Federal science and technology policy.[14] This is a laudable objective. In one recent year industrial support of university research amounted to only $123 million versus $3.7 billion by the Federal Government. However, without fundamental changes in Government patent policies regarding university research, any substantial improvement is doubtful.

A number of witnesses also pointed out to the committee that when Government agencies retain title to inventions made by nonprofit organizations or small business contractors there is no incentive for the inventor to remain involved in the possible development of the patentable discovery. Virtually all experts in the innovation process stress very strongly that such involvement by the inventor is absolutely essential, especially when the invention was made under basic research where it is invariably in the embryonic stage of development.

D. HOW CURRENT POLICIES AFFECT SMALL BUSINESS RESEARCH AND DEVELOPMENT

An important ingredient missing in Federal research and development programs is the large scale participation of the small business community. A distressingly low percentage of Federal research and development contracts are awarded to small companies (about 3.4% according to the Office of Management and Budget's Study "Small Business Firms and Federal Research and Development," published on March 10, 1977). The Senate Select Committee on Small Business and the House Small Business Committee have concluded that based on the impressive record of small companies as sources of bold, new innovations, it is in the public interest to secure greater small business participation in the Federal research and development effort.[15]

The committee heard from a number of presidents and representatives of small businesses who said that one of the greatest discouragements to such companies interested in participating in this research effort are the present Federal patent policies. These policies not only can require that small companies give up patent rights to resulting inventions, but can also require small business to license their "background rights" (which can consist of privately financed patents or other materials relating to the invention made under Federal contract) to competitors who later work under Federal research or development programs. This threat of having to license out privately acquired technologies or information is a very serious one to the innovative small company which is trying to compete in the marketplace

[14] Federal Government Policy on Science and Technology Celebrating The Centennial of Birth of Albert Einstein and Thomas Alva Edison, Cong. Record, Mar. 27, 1979, p. H1686.

[15] "Small Business and Innovation," a Report of the Select Committee on Small Business, U.S. Senate, on Underutilization of Small Business in the Nation's Efforts to Encourage Industrial Innovation, 96th Congress, 1st session, June 14, 1979, pp. 45–48.

against large corporations. Technological edges are the one advantage that such small companies have, and when they are forced to license this out to competitors their ability to successfully compete can be jeopardized or even ruined.

The small business attitude toward Federal patent policy was summarized very well by Dr. Arthur S. Obermayer, President of Molecular Research Corporation of Cambridge, Massachusetts who also represented the American Association of Small Research Companies in his testimony to the committee on May 16, 1979:

> Starting with fundamentals, the goal of a company is to make profits . . . to maximize return on investment. The small, high technology company that has a product to sell usually finds itself competing with large companies that have much greater financial muscle and marketing clout. If the small company is to succeed it must have a superior product and a means for protecting its product's superiority. If the small company's new product shows market acceptance, big companies will try to jump in with similar products and overwhelm the small company with massive advertising, well-developed channels of distribution, and sophisticated marketing approaches. The small, high technology company's principle protection in the commercial market is its proprietary "know-how" and patent protection. This is the way my company evaluates its position. We will not enter a new market unless we have some protected technological advantage; and our reaction is typical.
>
> When the Government is looking for a company to do research and development in a field where we have experience, we are very cautious about submitting a proposal. Even though we may be as well qualified as any bidder, we become concerned that we may compromise our patent rights by accepting a contract. Many Government agencies require that small businesses who accept contracts with them not only give the Government title to any patents coming out of the work, but also give the Government background patent rights: that is, the right to use patents already obtained and paid for by the company. As further affront, the Government usually takes a rather cavalier attitude toward protection of any of the company's proprietary information or "know-how" which is submitted with a proposal. All too often, proprietary information supplied by one company later appears in another company's proposal. It is no wonder that many companies which have important new technologies with significant patent implications, carefully avoid becoming entangled with the Government.

While there is no shortage of small companies interested in participating in Federal research and development efforts, these businesses are not necessarily the most innovative companies and many times represent firms whose sole aim is the acquisition of Government grants and contracts. S. 414 will be a guarantee to the truly innovative small company that in almost all cases it will be allowed to retain pat-

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ent rights on resulting inventions made under Government grants or contracts.

The loss of small business participation under the present policies is also a serious loss to the general public. An international panel of experts studying the most important innovations made between 1953–1973 in this country found that of the 319 major innovations introduced, fully 24 percent were made by companies having less than 100 employees.[16] An additional 24 percent were made by companies having less than 1,000 employees.[17]

The present 24 patent policies in effect in the Federal agencies are a much greater burden for the small business than for the large corporation which can afford to retain large legal staffs. Moreover, when small businesses are afraid to involve themselves in Government research and development programs because of fears of losing rights to important patents, it can be very difficult to find alternative means of financing their research and development efforts.

It is very difficult for these companies to raise risk capital privately for developing new ideas. All too often, the only alternative open to a small business is to license out their promising technologies to larger companies who can afford to conduct expensive research and development programs. The ultimate effect of the present patent policies (which were formulated in the hope of discouraging economic concentration by making federally-supported patents available to everyone) has been a de facto contribution toward greater economic concentration by discouraging the innovative small businesses and cutting them off from the use of Government research and development money.

The importance of patent rights to small companies was underscored by Deputy Attorney General, Antitrust Division, Mr. Ky P. Ewing who said:

> It is often small competitors and potential entrants who benefit most from the patent grant. Such firms may have little or no ability otherwise to gain entry into an established market. Patent rights for these firms provide a competitive edge that can counter the larger, existing competitor's popular trade name, access to investment capital, or reliable marketing organization.[18]

S. 414 would remove a large roadblock to full participation in Government research and development programs, and will open the door to greater small business participation in this effort while delivering new products to the American public.

E. BACKGROUND INVENTIONS

Because of the concerns so often expressed by witnesses about Government treatment of "background inventions" of small business contractors the Committee has broadened S. 414 to address this issue. As amended S. 414 establishes certain procedural requirements for agency acquisition of rights in background inventions.

[16] Ibid. p. 42.
[17] Ibid.
[18] Address to the San Francisco Patent Law Association, as reprinted in BNA Patent, Trademark and Copyright Journal, No. 429, May 17, 1979, p. D–2.

The background invention issue is particularly acute when the Government acquires small business' background rights for the purposes of requiring them to license competitors. Where the Government seeks background rights for its own use the considerations are different. Accordingly, Section 202(f) addresses only situations in which background rights are sought for use by competitors. The section would not effect, for example, NASA's or DOD's authority to obtain licenses in patents that might cover space or military systems they were procuring. It would apply, however, to DOE or EPA contracts to develop technology intended for use in civilian markets.

This section attempts to curb what the Committee believes to be the inappropriate use of "background" provisions by the executive agencies, while still leaving the agencies sufficient authority to obtain and exercise background rights in those special circumstances when this is justified. However, the head of the agency is required to approve the use of background rights provisions in each instance when they are employed. This approval authority may not be delegated. The obtaining of such rights carries with it important policy ramifications and vitally affects the ability of smaller companies to compete for Government funds. This section simply elevates the decision to use such a provision to the proper level and should require more careful and limited use of such provisions.

F. RETURN OF GOVERNMENT INVESTMENT

Probably the most commented upon feature of S. 414 is its provision calling for a return to the Government of a portion of income generated by inventions. Most witnesses, including small businessmen, felt that the inclusion of such a provision was reasonable and did not object, in principle, to sharing income with the Government. However, a number of witnesses and commentators, including the Comptroller General, expressed concern with the specifics of the language as found in the original bill. The committee has made a number of changes to section 204 in response to these comments.

One significant change has been to convert the threshhold figures from an "after tax profits" basis to a "gross income" basis. This will eliminate difficult accounting problems that would have resulted from the original bill.

A number of witnesses at the hearings were concerned that the determination of the sharing ratio under the original bill would be the source of considerable administrative redtape. Many persons, particularly from the university sector, suggested the establishment of a set formula. These suggestions were adopted with respect to subsection (a). The 15-percent figure was chosen as being comparable to the normal share provided to the individual inventor or inventors by most universities. This subsection has also been revised to make clear that the sharing would be either with the contractor, if the contractor licenses directly, or with the contractor's patent management organization, if the invention was assigned or licensed to another organization for licensing purposes.

A distinction was drawn between income from exclusive or nonexclusive licenses to act as a further incentive towards nonexclusive licensing. However, this distinction would not apply in the case when

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an exclusive license was originally granted and later converts to a non-exclusive license after the 5- or 8-year periods described in Section 202(c)(7).

Similarly, the original bill included no specific limit on the Government's share of income from sales, but the amended bill sets a 5% ceiling. This is comparable to typical royalty rates. However, the factors that would go into establishing the specific ratio are too diverse to establish a set percentage. Thus 5 percent is set as an outside limit and is not intended as the standard ratio. Negotiations would presumably be influenced by factors such as the contractor's profit margin, royalty rates charged to others or "typical" in the industry, the ratio of Government investment to total investment, whether the invention constitutes a major aspect of the product or is merely a minor improvement on a previously existing product line, and others.

Language concerning the maximum amount of the Government's return (which is still found in subsection (b)) has been eliminated from subsection (a). This was closely related to the decision, discussed above, to establish a set formula in lieu of negotiating shares on a case-by-case basis.

While it is recognized that negotiation of the limit on the amount of the Government's recovery could prove difficult, the number of inventions actually resulting in major commercial returns is likely to be relatively small. Negotiations can be minimized by delaying them until such times as it is clear that a given invention will be the source of substantial income. Thus it is assumed that the implementing regulations and clauses will not require the development and negotiation of such figures prior to the time an invention proves commercially viable. Furthermore the exact amount to which the Government is entitled is not critical. Section 204 is not intended to turn Government support of R&D into a strictly business proposition.

Finally, as revised section 204 remedies two other related shortcomings of the original bill. The Government's right has now been tied to the filing of patent applications, whereas the original bill had a ten year period running from disclosure of the subject invention. The ten year period is eliminated and the Government's rights now are based on yearly income after a patent application is filed. Subsection (d) has also been added in response to criticism that it would be unfair for the Government to share in royalties on inventions that turned out not to be patentable and which competitors could thus use free of any obligation to the Government or the "inventing" contractor.

G. UNIFORMITY

As noted above one of the major difficulties facing small businesses and universities that deal or wish to deal with the Government is the multiplicity of statutes and regulations that impact on patent policy. S. 414 deals with this problem by establishing a uniform legislative policy that will override conflicting statutes. The bill also requires the office of Federal Procurement Policy to develop uniform regulations and clauses in order to ensure that there is not a new proliferation of inconsistent implementing clauses and regulations. The bill also requires the General Accounting Office to monitor implementation.

Before issuing regulations and clauses, the Office of Federal Procurement Policy (OFPP) is required to consult with the Office of Science

and Technology Policy. The committee included this requirement to ensure that, as in the past, the main drafting efforts will be carried out by the (FCCSET) Committee on Intellectual Property and Information or its subcommittees. Indeed, those aspects of S. 414 dealing with nonprofit organizations build very heavily upon the work of the Subcommittee on University Patent Policy which drafted the 1975 Report on University Patent Policy and the subsequent implementing amendments to the Federal Procurement Regulations. These efforts were, in their turn, built upon the existing programs and regulations developed at National Institutes of Health (NIH) in 1968 and National Science Foundation (NSF) in 1973. We trust that those individuals responsible for the development of these earlier programs and the more recent Report and Federal Procurement Regulations amendment, if available within the executive branch, will be assigned a major role in the task of developing implementing regulations and clauses.

It is also expected, that executive branch drafting efforts will be coordinated with comments requested from the public, particularly representatives of the university and small business communities.

In developing clauses the agencies and OFPP should give recognition to the fact that while the committee believes the traditional approach of attaching Government rights (be they title or license) to "conception" or "actual reduction to practice" should continue, it does not necessarily follow that the times for reporting, electing, and filing must be tied directly to "making" by set time periods. Particularly, when Government rights arise because of "conception" care must be taken not to force contractors or grantees to make premature decisions on election of rights or filing of inventions if the invention is at such an early stage that it is unreasonable to proceed with filing or licensing efforts.

The committee is concerned that standard Federal Procurement Regulations and Defense Acquisition Regulations provisions may force premature decisions, and may literally require the reporting of inventions within times that are not consistent with normal operational practices and capabilities. For example, current requirements to report inventions within six months after they are "made" could lead to forfeiture of rights in numerous inventions if literally applied. Many inventions are not actually recognized as useful inventions for long periods after their technical "conception." The committee believes that language contained in some of the NSF Institutional Patent Agreements gearing reporting requirements to the time cognizant University officials receive notice of inventions may be a more realistic and reasonable approach (perhaps in combination with some rather lengthy overall outside limit). In any case, we urge that the agencies and OFPP give this aspect of the standard clauses special attention, and that changes be made to the current standard language.

H. LICENSING GOVERNMENT-OWNED PATENTS

S. 414 will also allow the agencies to have greater flexibility in finding licensees for the patents that are now in the Government's patent portfolio. Dr. Betsy Ancker-Johnson, Vice-President for Environmental Affairs of General Motors and former Assistant Secretary of Commerce for Science and Technology, told the committee that

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the agencies are now licensing less than 4 percent of the 28,000 patents that the Government now owns to private industry for development. The central problem seems to be that the agencies seek to issue nonexclusive licenses for these patents which are available to all interested parties. Nonexclusive licenses are generally viewed in the business community as no patent protection at all, and the response to such licenses has been lackluster.

The University and Small Business Patent Procedures Act would allow the agencies to license out these patents nonexclusively, partially exclusively, or exclusively depending upon which avenue seems to be the most effective means for achieving commercialization. It eliminates current uncertainty over the authority of many agencies to grant such licenses. The bill would require that all interested parties include in their application for Government licenses a plan for commercialization of the patent and agree to submit periodic reports to the agency on their progress. The bill requires public notice and other procedures before the issuance of exclusive licenses, but is not meant to discourage the granting of such licenses when the plans proposed by prospective exclusive licensees show a greater commitment to commercialization than those proposed by persons seeking non-exclusive licenses. A first preference in such licensing would be given to small businesses in order to encourage increased competition.

It is essentially a waste of public money to have good inventions gathering dust on agencies' shelves because of unattractiveness of nonexclusive licenses. The presence of "march-in-rights" in the licensing program (where the agency could issue additional licenses to competitors if such licensing were required to meet a public need) should be a sufficient safeguard to protect public welfare requirements and prevent any undesirable economic concentration.

S. 414, however, does not actually mandate more extensive Government licensing programs. However, the bill will put agencies in a position to more adequately respond to requests for exclusive licenses, to more effectively utilize the resources now rather unsuccessively devoted to licensing and technology utilization efforts, and to devise licensing programs that might be effective at relatively low cost to the taxpayer. The successful licensing of Government-owned patents represents a very real gain to the agencies since it will not only encourage commercialization of the patents, but will also bring in revenues to the Government through licensing fees.

During the hearings on S. 414 concerns were voiced with certain aspects of the licensing provisions of the original bill. The original bill included a section specifically authorizing the Department of Commerce to undertake certain promotional activities. Section 208 also included language specifically authorizing certain promotional activities by the agencies. This language has been deleted from the bill for several reasons.

The Comptroller General suggested striking language that authorized the Department of Commerce to establish a revolving fund for a licensing program based on royalties received. The Comptroller General also expressed concern that agencies might use licensing programs as an excuse not to allow other contractors to retain rights to their inventions.

The committee has also been made aware of criticism raised by the Subcommittee on Patents and Information of the Advisory Committee on Industrial Innovation as part of the Administration's recently completed Domestic Policy Review on innovation. In particular, they felt that the Government agencies were filing on too many inventions and thus diverting the resources of the Patent, Trademark, and Copyright Office.

I. CONCLUSION

Passage of S. 414 will be an important first step in turning around the undesirable productivity and innovation slumps that the United States is now experiencing. While Government patent policies are not the sole cause of this trend by any means, they do represent a serious impediment to the effective transferral of new technologies and discoveries from the multi-billion dollar Federal research and development efforts to the commercial sector where they can serve the public supporting this expenditure. The Federal Government is expected to spend $25.9 billion in 1979 on research programs. This expenditure constitutes approximately 50 percent of the total research budget spent in the United States this year. It is important, and will become more so if the private industry cutback on basic research continues, that inventions and processes arising from this Government effort be delivered to the marketplace as efficiently as possible. The current patent policy confusion serves as an artificial barrier discouraging the commercialization of many of these inventions.

The Federal Government is now and will continue to be the most important source of basic research money for the development of new drugs and medical processes which are essential to the well-being of the public. If the benefits of this research are being held up or denied because of artificial barriers such as long periods of review by the funding agencies before patent ownership can be determined it can be detrimental to the public well-being. It has been clearly demonstrated that the universities and nonprofit organizations who are conducting this research effort are much more efficient in delivering these important discoveries to the marketplace than are the agencies. S. 414 will allow such contractors to retain patent rights on these discoveries while allowing the funding agencies to have free access to them.

Enactment of S. 414 will also remove one of the most serious obstacles to full participation in the national research and development programs by our small businesses. These companies have demonstrated their willingness to take risks that many larger companies are not willing to take in the pursuit of new technologies and products. They also possess an impressive record as one of the leading sources of technological breakthroughs since World War II; but small business receives a pathetic share of our research and development expenditure each year.

The present patent policies work a much greater hardship on the small business than they do on the large corporation that can afford to walk away from unfavorable Government contracts with little or no damage to their research efforts. Because small businesses do not comprise an antitrust threat there seems to be little justification in

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forcing them to undergo the same kinds of case-by-case reviews of patent ownership petitions that large companies must complete before Federal agencies will award patent rights. It is feared that the present Government policies have actually served to cause more economic concentration by their discouragement of small business participation in Government research and development programs. When access to these programs is not open for fear of losing patent and background rights, small companies may be forced to license promising new technologies to larger companies who can afford to conduct their own research and development.

Thus, S. 414 will be the vehicle that will insure that universities, nonprofit organizations, and small businesses will be able to fully participate in Government research and development, and will give resulting inventions a maximum chance of achieving their full commercial potentials. The bill will also adequately protect the legitimate rights of the funding agencies to use patentable inventions made under their research and development programs without any royalties or other payments. The agencies will have the power to exercise march-in-rights to insure that no adverse effects result from retention of patent rights by these contractors. The existence of section 204 of the bill, the Government pay back provision, will guarantee that inventions which are successful in the marketplace reimburse the Federal agencies for the help which led to their discovery. Although there is no evidence of "windfall profits" having been made from any inventions that arose from federally-supported programs, the existence of the pay back provision reassures the public that their support in developing new products and technologies is taken into consideration when these patentable discoveries are successful commercially.

S. 414 also provides that any revenues received by universities or nonprofit organizations beyond their legitimate expenses be used to fund more research. This additional money will assist not only the university or nonprofit organization, but will be a very real benefit to the public.

Additionally, the provisions in the bill giving the agencies full authority to license out the inventions already owned by the Government will increase the likelihood that useful inventions held in agency portfolios will be developed and commercialized rather than lying unused because of lack of necessary patent protection for interested developers. These unused patents now represent a partial waste of our vast research and development programs and their development will insure that the public is receiving the full benefits of this taxpayer-supported effort.

The bill should substantially reduce the amount of time and paperwork now being devoted to the processing of patent waiver petitions by the agencies and will enable the agency patent staffs to put this time into other areas of responsibility. It will also remove from the shoulders of the Government patent attorneys the onerous burden of trying to determine the ownership of patents arising from the agencies' research and development grants and contracts. Many times these attorneys are forced by agency patent policies to retain title to inventions that the agency simply is not able to develop. S. 414 will serve to make sure that the maximum return is received from the multi-billion dollar Government research and development effort.

V. Section-by-Section Analysis

Outlined below are the most important features of the bill:

Section 1 provides that the Act may be cited as the "University and Small Business Patent Procedures Act."

Section 2 adds a new chapter 18 to Title 35 of the United States Code.

Section 3 amends certain other acts to eliminate inconsistencies with S. 414's provisions on licensing of Government-owned inventions.

Section 4 establishes the effective date of the Act.

An analysis of section 2, the most significant portion of the Act, follows:

SECTION 200. POLICY AND OBJECTIVES

Section 200 sets forth the policies and objectives of Chapter 18.

SECTION 201. DEFINITIONS

Definitions used throughout the chapter are set forth in Section 201. Most are similar to those now applied to Government contracts. It should be noted that small business and nonprofit organization subcontractors and assignees could retain patent rights under this chapter.

The term "invention" is meant to encompass the same scope as "invention" as defined at Section 100 and also to include design and plant patents. The reference to Title 35, USC, is intended to limit the scope of reportable inventions to those protectable under the patent laws of the United States and does not include subject matter that might be patentable under a foreign patent system but not under Title 35.

SECTION 202. DISPOSITION OF RIGHTS

Section 202 establishes the basic framework for the disposition of rights in inventions made by small business firms and nonprofit organizations under funding agreements with the Federal Government and for the negotiation for rights in background inventions of such firms and organizations.

SECTION 202(a)

Section 202(a) provides that as a normal rule small business firms and nonprofit organizations are to have the right to elect to retain worldwide ownership of their inventions by making an election within a reasonable time after they disclose the invention. Federal agencies are permitted to use different provisions in three categories of situations. First, contracts for the operation of Government-owned facilities may contain other provisions, although agencies are not precluded from also allowing such contractors to retain rights to inventions. Second, agencies are given authority to use other provisions in "exceptional circumstances" if they determine this will "better promote the policies and objectives" set forth in Section 200. Third, an exception may be used to avoid compromising foreign intelligence or counterintelligence activities. Rights left with small businesses and nonprofit organizations are conditioned on the provisions of Section 202(c) and other provisions of the chapter.

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It is expected that the "exceptional circumstances" exception will be used sparingly. An example of a situation in which it might be used is when the funding agreement calls for a specific product that will be required to be used by regulation. In such a case, it is presumed that patent incentives will not be required to bring the product to the market.

Similarly, if the funding agreement calls for developmental work on a product or process that the agency plans to fully fund and promote to the market place, then use of this exception might be justified. In such cases, however, it would be within the spirit of the Act for the agency to either define specific fields of use to which it will obtain rights in any inventions at the time of contracting or to carefully structure any deferred determinations so that the agency does not destroy the incentives for further development of any inventions in fields of use not of interest to the agency.

SECTION 202(b)

Section 202(b) establishes a framework for General Accounting Office oversight agency implementation of the chapter and the use of the exceptional circumstances authority of section 202(a)(ii).

SECTION 202(c)(1)–(3)

Section 202(c)(1)–(3) establishes general requirements for reporting inventions, electing rights, and filing patent applications. Reporting of inventions is to be accomplished within a "reasonable time" after they are made.

Election of rights is to be made within a reasonable time after disclosure. Failure to report, elect, or file within the prescribed times could result in a contractor losing all or part of its rights to an invention. For example, section 202 contemplates that contractors will have the right to elect worldwide rights without the necessity, as is often the case now, of listing each country in which patents will be sought. However, if a contractor should fail to file in a country in which, for some reason, the Federal agency wishes to secure patent rights, it is expected that the implementing provisions will allow the agency to obtain an assignment of rights in the invention as respects that particular country.

SECTION 202(c)(4)–(8)

Section 202(c)(4) requires the agencies to acquire a paid-up, nonexclusive license for Government use, and authorizes the retention of the right to sublicense foreign governments and international organizations in appropriate circumstances.

Section 202(c)(5) provides that agencies should have the right to receive periodic reports on the contractor's efforts at obtaining utilization of inventions to which it elects title.

Section 202(c)(6) requires contractors to include a statement in any patent applications and patents indicating that the invention was supported by the Government.

Section 202(c)(7) contains a series of limitations applicable to nonprofit organizations but not to small business firms. Section 202(c)(7)(a) bars the assignment of U.S. rights to subject inventions without

agency approval except to patent management organizations. The description of patent management organizations eligible to receive an assignment of a particular invention is designed to avoid possible conflicts-of-interest. Thus to be eligible to receive an assignment of a subject invention, the patent management organization must not be engaged in the manufacture or use of products or processes that might embody or compete with products embodying the invention. It is not intended, though, that ownership of minor fractions of a corporation in a given field would bar a patent management organization from receiving an assignment of an invention in that field.

Section 202(c)(7)(b) places a limit on the duration of any exclusive licenses under United States patents or patent applications, except when such licenses are granted to small business firms. Exclusive licenses are limited to the earlier of 5 years from first commercial sale or use or 8 years from the date of the license. Language is included to avoid the problem that the same patent may support multiple licenses for different products or processes each of which may require different development and marketing efforts. However, this language is not intended to authorize field of use licenses that would violate antitrust laws.

Section 202(c)(7)(c) gives special recognition to the equity of inventors, and requires that nonprofit organizations share royalties with them. It is not intended that Federal agencies establish sharing ratios.

Section 202(c)(7)(d) requires nonprofit organizations to use the net proceeds of their licensing efforts to further scientific research and education.

Section 202(c)(8) requires that standard contract provisions also incorporate the march-in, recoupment, and U.S. preference requirements of sections 203, 204, and 205.

SECTION 202(d)

Section 202(d) provides agencies with the authority to leave rights with individual inventors in cases when contractors do not elect rights.

SECTION 202(e)

Section 202(e) authorizes an agency to transfer rights in an invention made by an agency employee to a small business firm or nonprofit organization in cases when the invention was a joint invention of the agency employee and a contractor employee.

SECTION 202(f)

Section 202(f) requires the head of the agency to approve the use of provisions allowing the agency to require that a small business or nonprofit contractor license third parties to practice background inventions owned by the contractor.

35 USC 203. MARCH-IN RIGHTS

Section 203 establishes situations in which the funding agencies may require small business firms or nonprofit organizations, or their assignees or licensees, to license subject inventions to which the contractor has retained title. The Government may "march-in" if reasonable

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efforts are not being made to achieve practical application, for alleviation of health and safety needs, and in situations when use of the invention is required by Federal regulations. Finally, a march-in is included that ties into the U.S. manufacture requirement of section 205.

"March-in" is intended as a remedy to be invoked by the Government and a private cause of action is not created in competitors or other outside parties, although it is expected that in most cases complaints from third-parties will be the basis for the initiation of agency action.

Adherence to Administrative Procedures Act procedures is not required because of concerns that this could frustrate the effectuation of the march-in remedy. On the otherhand, arbitrary exercise of such rights must also be avoided. The agencies and Office of Federal Procurement Policy (OFPP) should give this question careful and thorough consideration and develop a procedure that carefully balances the considerations on both sides.

No specific provision has been included for judicial review of agency decisions under section 203, because it is assumed that such review will be available under Chapter 7 of Title 5 of the United States Code.

SECTION 204. RETURN OF GOVERNMENT INVESTMENT

Subsection (a) of section 200 provides that if over $70,000 in licensing income is made in any one calendar year after a patent application is filed, the Government will receive 15 percent of the excess above $70,000 that year. Subsection (b) establishes a similar right when in any 1 calendar year a contractor has gross sales of over $1 million of a product embodying a subject invention. In such cases, however, the Government's share of the excess is to be negotiated, but may not exceed 5 percent of the gross sales in excess of $1 million. In addition, the Government's share is limited to its actual contribution.

Subsection (c) authorizes and directs the Office of Federal Procurement Policy to regularly revise the threshold figures in light of price changes.

Subsection (d) cancels the Government's right to a share in situations when no patent finally issues or when the patent expires or is held invalid.

SECTION 205. PREFERENCE FOR UNITED STATES INDUSTRY

Section 205 provides that persons receiving exclusive licenses to use or sell a subject invention in the United States must agree to manufacture any products embodying the invention substantially in the United States. Agency approval is required to dispense with this requirement. This section is designed to maximize the probability that the jobs created through the commercialization of new products and technologies based on Government supported inventions will benefit American workers.

SECTION 206. CONFIDENTIALITY

Section 206 allows agencies to hold invention disclosures in confidence until patent applications are filed to prevent the inadvertent creation of statutory bars to patenting because of the possibility that

otherwise such disclosures might be available under the Freedom of Information Act. This section applies to disclosures from all Government employees and contractors. It also allows agencies to withhold copies of Government and contractor patent applications after filing. Release of applications could undermine the spirit of section 122 and related patent office interference procedures.

SECTION 207. UNIFORM CLAUSES AND REGULATIONS

Section 207 requires the Office of Federal Procurement Policy, after receiving recommendations from the Office of Science and Technology Policy, to issue regulations and standard funding agreement provisions implementing sections 202–205.

SECTION 208. DOMESTIC AND FOREIGN PROTECTION OF FEDERALLY OWNED INVENTIONS

Section 208 authorizes agencies to apply for patents, to grant nonexclusive, partially exclusive, or exclusive licenses, to undertake other suitable and necessary steps to protect and administer rights to federally owned inventions, including the right to contract with private parties for the management of Government-owned inventions; and to transfer control of inventions to other Federal agencies.

SECTION 209. REGULATIONS GOVERNING FEDERAL LICENSING

Section 209 authorizes the General Services Administration to establish regulations governing the terms and conditions upon which any Federally-owned invention may be licensed. It is expected that, as in the past, GSA will work closely with the appropriate Federal Coordinating Council for Science, Engineering and Technology (FCCSET) committees.

SECTION 210. RESTRICTIONS ON LICENSING OF FEDERALLY OWNED INVENTIONS

Section 210 establishes procedures to be followed before licenses are granted by agencies. It also establishes minimal conditions to be included in licenses issued by the Government.

SECTION 211. PRECEDENCE OF CHAPTER

Section 211(a) and (b) makes clear that the provisions of Chapter 18 pertaining to small business firms or nonprofit organizations take precedence over a number of statutory provisions that currently control to varying degrees the patent policies of some agencies.

Section 211(c) states that nothing in this chapter is intended to affect the policies of agencies with respect to the disposition of rights in inventions made by contractors that are not small business firms or nonprofit organizations. This chapter should not affect the discretion of agencies to adopt policies favoring Government obtaining title or contractor retention of title as is most appropriate to their needs and the public interest, subject to existing statutes.

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Section 211(d) is intended, as is Section 202(a)(iii), to ensure that this chapter is not interpreted in a manner that would compromise foreign intelligence operations of the United States.

SECTION 212. RELATIONSHIP TO ANTITRUST LAWS

Section 212 provides that nothing in the Act is meant to convey immunity under or create defenses to actions under the antitrust laws.

VI. Budgetary Impact Statement

At the request of Senator Kennedy the Congressional Budget Office studied the budgetary impact of S. 414 on the Federal Government, and submitted the following letter of their findings:

Congressional Budget Office,
U.S. Congress.
Washington, D.C., December 4, 1979.

Hon. Edward M. Kennedy,
Chairman, Committee on the Judiciary, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

Dear Mr. Chairman: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed S. 414, the University and Small Business Patent Procedures Act, as ordered reported by the Senate Committee on the Judiciary on November 20, 1979.

At the present time approximately 20 different patent policies exist within the executive agencies. S. 414 would establish a uniform, Government-wide patent procedure for small businesses and nonprofit organizations performing Government-supported research and development. The bill would automatically grant small businesses and nonprofits title to inventions arising from Government-supported research unless the contracting agency could justify, through specified procedures, holding title to the invention. (Currently, title is routinely retained by the Government.) The small business or nonprofit organization would be required to commercialize the results, and return a percentage of profits to the Government. In addition, S. 414 provides authority and procedures for the licensing of all Government-owned inventions. Agencies retaining title to inventions could issue exclusive, nonexclusive or partially-exclusive licenses to qualified firms, with preference to small and American-owned businesses.

It appears that no significant cost would be incurred by the Government as a result of enactment of this legislation. It is estimated that approximately 15 percent of Federal research and development funds are awarded to small businesses and nonprofit organizations. Under S. 414, Federal agencies would be required to set up separate procedures for these kinds of firms. Some additional paperwork may be required initially in order to issue and implement those regulations applying specifically to small businesses and nonprofit organizations. In time, however, fewer petitions, negotiations or waivers would probably be required, because the agencies would retain title to inventions developed as a result of Federal funding only by exception, and not automatically. The Comptroller General would also be required to review and issue comments on all cases where the agency retains title, and prepare an annual report to the Congress, although this is not expected to require a substantial effort. Additionally, it is possible that if Government contracts become more attractive because of S. 414, bidding may become more price competitive, resulting in a savings to the Government.

Section 204 requires that a small business or nonprofit organization return a portion of income received from sales or licensing of inventions funded by Government research. It is not clear at this time how agencies would administer this section. It would be necessary for agencies to develop procedures for monitoring and reviewing firms' accounting records as well as a mechanism for collecting and transferring receipts to the Treasury. However, any additional administrative costs would likely be more than offset by receipts.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

Alice M. Rivlin,
Director.

VII. Economic, Paperwork, and Personal Privacy Impact Statement

At the request of Senator Kennedy, the General Accounting Office studied the economic, paperwork, and personal privacy impacts of S. 414 and submitted the following letter of their findings:

Comptroller General of the United States,
Washington, D.C., October 9, 1979.

B-158352.

Hon. Edward M. Kennedy,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Your letter of August 28, 1979, asked that we prepare the analyses required by Senate Rule 29.5 for Senate bill 414, the "University and Small Business Patent Procedures Act." The proposed act would establish a Government-wide patent policy for Federal agencies to follow in dealing with small businesses and nonprofit organizations performing Government supported research and development. It would also establish a framework for the licensing of Government-owned inventions.

We appreciate the opportunity to assist you and the Committee in evaluating this bill as required by Senate Rule 29.5. As discussed with the Committee staff, we agreed to provide comments on the bill, addressing the rule's various elements. Senate Rule 29.5 calls for an assessment of a bill's economic, paperwork, and personal privacy impacts. Based on a limited review of Senate bill 414, we believe it will produce no adverse impacts in any of these areas.

As I stated in my May 16, 1979, testimony on the bill before your Committee, we believe the bill represents a positive step toward achieving a uniform patent policy for the Federal Government which should lead to lessening the administrative burdens on the agencies as well as on universities and small businesses.

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The following paragraphs briefly address each element of Senate Rule 29.5.

ECONOMIC IMPACT

Based on the scenarios described by experts on the issue of granting patent rights on inventions resulting from federally-financed research to universities and small businesses, the potential economic impacts of Senate bill 414, though not measurable at present, appear to be, on the whole, more positive than otherwise.

The Committee may wish to consider directing the agencies to prepare evaluation plans for assessing the impacts of the legislation after it has been implemented. These plans would serve to aid the Congress in conducting oversight hearings and would provide the basis for evaluating the results of a uniform patent policy for small businesses and nonprofit organizations. Such evaluations could also aid the Congress in considering whether to legislate a Government-wide patent policy applicable to all contractors.

Some of the issues which should be addressed include whether or not:

The benefits from the potential increase in utilization of discoveries would be better than that derived from the now delayed utilization, especially for the health and medical-related discoveries;

The administrative costs of present patent policies would be reduced for public and private sectors:

More inventions would be disclosed;

More private investments in research and development would occur;

Increased commercialization would occur and provide more benefits and less cost to our economy;

The Government will receive reimbursements and recover some of its research investments from the private sector under section 204 of the bill:

Senate bill 414 will encourage free competition and enterprise and not stifle competition in the private sector whenever competition could bring the fruits of research to the public faster and more economically; and

Senate bill 414 would stimulate industrial innovation and lead to health and energy benefits, an improved technology base, and economic growth.

ADDITIONAL PAPERWORK BURDENS

We believe that with one possible exception, Senate bill 414 should create no additional reporting or recordkeeping requirements which are excessive or unduly burdensome. Overall, we believe the bill could result in reduced paperwork burdens and associated administrative burdens for the Government and small businesses and nonprofit organizations.

As discussed in my testimony on Senate bill 414, under current policies and procedures, substantial administrative and paperwork burdens can result from the process of petitioning, negotiating, and determining rights in inventions developed under federally supported research efforts. By granting small businesses and nonprofit organizations the option to take title to such inventions, these burdens should be reduced.

One section of the bill—section 204, Return of Government Investment—does have the potential for creating recordkeeping problems for some small businesses and nonprofit organizations. This section requires small businesses and nonprofit organizations, which receive $250,000 in after tax profits from licensing or in excess of $2,000,000 from sales, to return a negotiated share of such amounts to the United States up to the amount of the Federal funding. This provision is tied to two separate 10-year periods: one commencing with disclosure of the invention; and the other commencing with commercial exploitation of the invention.

Maintaining the accounting records necessary for compliance with these requirements could tax the capabilities of some small businesses and nonprofit organizations. Also, they would be required to maintain records for a long period of time, even though the thresholds might not be met. Although these requirements seem likely to affect only a small number of businesses and nonprofit organizations, the Committee may wish to consider simplifying the provisions for return of Government investment.

IMPACT ON PERSONAL PRIVACY

We believe that Senate bill 414 will create no adverse impact on personal privacy. Further, confidential business information appears to be adequately protected by providing for nondisclosure under the Freedom of Information Act.

We would like to reiterate our reservations about section 202(b) of the proposed legislation. As I stated in my May 16, 1979, testimony on the proposed legislation, we would prefer not to monitor patent policy implementation as currently provided in the bill. We would prefer to consider this aspect of an agency's operations as part of our overall reviews of procurement, contracting, and research and development programs. Our evaluation of the agencies' implementation of the legislation would be included in our normal oversight reviews.

We trust these comments will assist the Committee in its deliberations on the bill.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

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BAYH, Birch Evans, (1928 -)

Senate Years of Service: 1963-1981
Party: Democrat



BAYH, Birch Evans, (father of Evan Bayh), a Senator from Indiana; born in Terre Haute, Vigo County, Ind., January 22, 1928; attended the public schools; served in the United States Army 1946-1948; graduated Purdue University School of Agriculture at Lafayette in 1951; attended Indiana State University, Terre Haute, 1952-1953; graduated Indiana University School of Law, Bloomington, 1960; was admitted to the Indiana bar in 1961 and commenced practice in Terre Haute; farmer and lawyer; member, State house of representatives 1954-1962, serving as minority leader in 1957 and 1961 and as speaker in 1959; elected as a Democrat to the United States Senate in 1962; reelected in 1968 and 1974 and served from January 3, 1963, to January 3, 1981; unsuccessful candidate for reelection in 1980; chairman, Select Committee on Intelligence (Ninety-fifth and Ninety-sixth Congresses); lawyer practicing in Washington, D.C.

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