97TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 97-379, Part I

UNIFORM FEDERAL RESEARCH AND DEVELOPMENT UTILIZATION ACT OF 1981

————————. Ordered to be printed

Mr. FUQUA, from the Committee on Science and Technology, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 4564 which on September 23, 1981 was referred jointly to the Committees on the Judiciary and Science and Technology]

[Including cost estimate and Comparison of the Congressional Budget Office]

The Committee on science and Technology, to whom was jointly referred the bill (H.R. 4564) to establish a uniform Federal system for management, protection, and utilization of the results of federally sponsored scientific and technological research and development; and to further the public interest of the United States domestically and abroad, and for other related purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

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

That this Act may be cited as the "Uniform Federal Research and Development Utilization Act of 1981".

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TITLE I—POLICY

Sec. 101. Findings.
Sec. 102. Declaration of purpose

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TITLE I—POLICY

FINDINGS

SEC. 101. The Congress, recognizing the profound impact of science and technology on society and the interrelations of scientific, technological, economic, social, political, and institutional factors, hereby finds that—

(1) inventions in scientific and technological fields resulting from work performed under Federal research and development programs constitute a valuable national resource;

(2) Federal policy on the allocations of rights to inventions resulting from federally sponsored research and development should stimulate inventors, meet the needs of the Federal Government, and serve the public interest; and

(3) the public interest would be better served if greater efforts were made to promote the commercial use of new technology resulting from federally sponsored research and development, both in the United States and foreign countries, as appropriate.

DECLARATION OF PURPOSE

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

(1) establish a uniform Federal system for the management and use of the results of federally sponsored scientific and technological research and development;

(2) provide for uniform implementation of the provisions of this Act, and to make a continuing effort to monitor such implementation;

(3) allocate rights to inventions by contractors which result from federally sponsored research and development so as to—

(A) encourage the participation of the most qualified and competent contractors,

(B) foster competition,

(C) reduce the administrative burdens, both for the Federal agencies and its contractors, and

(D) protect the public investment in research and development by promoting the widespread utilization of inventions;

(4) provide for a domestic and foreign protection and licensing program to obtain commercial utilization of federally owned inventions, with the objective of strengthening the Nation's economy and expanding its domestic and foreign markets; and

(5) amend or repeal other Acts and Executive orders regarding the allocation of rights to inventions which result from federally sponsored research and development and the licensing of federally owned patents.

TITLE II—FUNCTIONS OF THE OFFICE OF SCIENCE AND TECHNOLOGY POLICY AND THE FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING, AND TECHNOLOGY

FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING, AND TECHNOLOGY

SEC. 201. (a) The Federal Coordinating Council for Science, Engineering, and Technology (established by section 401 of the National Science and Technology Policy, Organization, and Priorities Act of 1976 (42 U.S.C. 6651)) (hereinafter in this Act referred to as the "Council") shall make recommendations to the Director of the Office of Science and Technology Policy (hereinafter in this title referred to as the "Director"), with regard to—

(1) uniform and effective planning and administration of Federal programs pertaining to inventions, patents, rights in technical data, and matters connected therewith;

(2) uniform policies, regulations, guidelines, and practices to carry out the provisions of this Act and other Federal Government objectives in the field of intellectual property; and

(3) uniformity and effectiveness of interpretation and implementation by individual Federal agencies of the provisions of this Act and other related Federal Government policies, regulations, and practices.

For the purpose of assuring effective management of Government-owned inventions, the Secretary of Commerce shall chair a committee of the Council to formulate the recommendations required by this subsection.

(b) Recommendations regarding matters set forth in subsection (a) which are made by the Council and adopted by the Director shall be transmitted to Federal agencies through appropriate channels.

(c) In order to carry out the responsibilities set forth in subsections (a) and (b), the Council is authorized to—

(1) acquire data and reports from Federal agencies on the interpretation and implementation of this Act and related policies, regulations, and practices;

(2) review on its own initiative, or upon request by a Federal agency, Federal agency implementation of the provisions of this Act;

(3) analyze, on a continuing basis, data acquired by the Council;

(4) consider problems and developments in the fields of inventions, patents, rights in technical data, and matters connected therewith and the impact thereof on Federal Government policy or uniform accommodation or implementation by Federal agencies; and

(5) publish annually a report on Council efforts, findings, and recommendations made under this section.

TITLE III—ALLOCATION OF PROPERTY RIGHTS IN INVENTIONS RESULTING FROM FEDERALLY SPONSORED RESEARCH AND DEVELOPMENT

OWNERSHIP AND RIGHTS OF THE GOVERNMENT

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

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

(2) the restriction or elimination of the right to retain title to any subject invention is necessary to protect the national security nature of such activities;

(3) because of exceptional circumstances, acquisition of title by the Government is necessary to assure the adequate protection of the public health, safety, or welfare, recombinant DNA research being considered an exceptional circumstance;

(4) the principal purpose of the contract is to develop or improve products, processes, or methods which will be required for compliance with Government regulations;

(5) the contract is not to be performed in the United States, its possessions, or Puerto Rico;

(6) the contractor is a business entity that does not have a place of business located in the United States, except that this paragraph shall not require an

agency to take an action in violation of existing treaties or laws of the United States; or

(7) the contractor is or is subject to the control of a foreign government, except that this paragraph shall not require an agency to take an action in violation of existing treaties or laws of the United States.

The Federal agency may subsequently waive all or any part of the rights of the Federal Government under this section to such invention in conformity with the provisions of section 303.

(b) In other situations not covered by subsection (a) each Federal agency shall acquire on behalf of the Federal Government, at the time of contracting—

(1) an agreement that, if the contractor elects not to file a patent application on a subject invention in any country, title to such an invention shall be assigned to the Federal Government, subject to the rights retained by the contractor under section 302; and

(2) an agreement that, if the contractor elects to file a patent application in accordance with section 302—

(A) the Federal agency, under uniform regulations promulgated under section 305, shall have the right to require periodic written reports at reasonable intervals and, when specifically requested by such agency under such uniform regulations, reports on the commercialization or other form of utilization by the public that is being made or is intended to be made of any subject invention: *Provided,* That any such information shall be treated by the Federal agency as commercial or financial information obtained from a person and privileged or confidential and not subject to disclosure under the Freedom of Information Act (5 U.S.C. 552);

(B) the Government shall have a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced any subject invention throughout the world by or on behalf of the Federal Government, and may, if provided in such agreement, have additional rights to sublicense any State or domestic local government when it is determined to be in the national interest to acquire such additional rights.

RIGHTS OF THE CONTRACTOR

SEC. 302. (a) Whenever a contractor enters into a contract with a Federal agency other than in those circumstances identified in section 301(a), the contractor shall have the option of retaining title to any invention made under the contract. Such rights shall be subject to the limitations set forth in section 304 and the provisions of sections 301(b)(2) and 305. Such option shall be exercised by notifying the Government at the time of disclosure of the invention or within such time thereafter as may be provided in the contract. The Government shall obtain title to any invention for which this option is not exercised.

(b) When the Government obtains title to an invention under section 301 or 302(a), the contractor shall retain a nonexclusive, royalty-free license which shall be revocable only to the extent necessary for the Government to grant an exclusive license. The contractor's license to practice the invention, or to have it practiced on the contractor's behalf, shall include the right to grant sublicenses of the same scope to subsidiaries and affiliates within the corporate structure of the contractor's organization, and to existing licensees to whom the contractor is legally obligated to sublicense or assure freedom from infringement liability.

(c) If a contractor does not exercise its option to retain title, 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.

(d) In any case when a Federal employee is a coinventor of any invention made under a contract with a nonprofit organization or a 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.

WAIVER

SEC. 303. A Federal agency may at any time waive all or any part of the rights of the United States under section 301(a) to any invention or class of inventions made or which may be made by any person or class of persons under the contract of the agency if the agency determines that the condition justifying acquisition of title by the Government under section 301 no longer exists or the interests of the United States and the general public will be best served thereby. The agency shall maintain a record, which shall be made public and periodically updated, of determinations made under this section. In making such determinations, the agency shall consider the following objectives.

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

(2) promoting the commercial utilization of such inventions;

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

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

MARCH-IN-RIGHTS

SEC. 304. (a) Where a contractor or inventor has elected to retain title to an invention under section 302 or 303, the Federal agency shall have the right, pursuant to regulations and subject to the provisions of subsection (b), to grant, or require the contractor to grant, a nonexclusive, partially exclusive, or exclusive license to a responsible applicant or applicants, upon terms reasonable under the circumstances, if the agency determines such action is necessary—

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

(2) to alleviate serious health, safety, or welfare needs which are not reasonably satisfied by the contractor or its licensees or otherwise required for the protection of national security;

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

(4) because the actions of the contractor beyond the exercise of the exclusive rights in the invention have created or maintained a situation inconsistent with the antitrust laws.

(b) The determinations required under subsection (a) shall be made upon the basis of such information as may be presented by the contractor, an interested party, or any Federal agency. Such determination shall be made after public notice and opportunity for hearing if such a hearing is requested by any interested person justifying such a hearing.

GENERAL PROVISIONS

SEC. 305. (a) The allocation of property rights in subject inventions shall be determined by uniform regulations, issued by the Administrator of General Services, the Administrator of the National Aeronautics and Space Administration, and the Secretary of Defense, employing a single patent rights clause in all instances except as may be provided in such regulations. Such a patent rights clause shall include the provisions required by sections 301, 302, and 304, and each contract entered into by the Federal agency shall include provisions to—

(1) require disclosure within a reasonable time by the contractor of each subject invention which is or may be patentable under the laws of the United States;

(2) require an election, at the time of disclosure or within a reasonable time thereafter, whether the contractor intends to file a patent application on the subject invention in the United States or other countries;

(3) require, where the contractor elects to retain title—

(A) the filing of a patent application within a reasonable time; and

(B) the filing of a declaration of the contractor's intent to commercialize or otherwise achieve the utilization of the invention by the public;

(4) require 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;

(5) permit deviation to the minimum rights acquired under sections 301(b)(2) and 304(a) on a class basis in—

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

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

(6) require that a transfer by the contractor of the rights in any subject invention will be subject to the rights of the Federal Government provided for in sections 301, 303, 304, and 307.

No deviation under this subsection shall waive, in whole or in part, the minimum rights to be secured for the Federal Government set forth in section 304(a)(4). The Federal Government shall withhold publication by the Federal Government or release to the public by the Federal Government of information disclosing any invention subject to the uniform regulations issued under this subsection for a reasonable time in order for a United States or foreign patent application to be filed.

(b) When it is determined that the right to require licensing or the right of the Federal agency to license should be exercised pursuant to section 304(a), the Federal agency may specify terms and conditions, including royalties to be charged, if any, and the duration and field of use of the license, if appropriate consistent with the provisions of title IV of this Act. Agency determinations as to the rights to inventions under this title shall be made in an expeditious manner without unnecessary delay.

(c) Regulations issued under subsection (a) may contain provisions applicable only to (1) contractors which are nonprofit organizations, (2) contractors which are small business firms, or (3) other contractors.

(d) The provisions of this Act shall not apply to the Tennessee Valley Authority or to any of its patents, patent licenses or sublicenses, or contracts.

JUDICIAL REVIEW

SEC. 306. Any person adversely affected by a Federal agency determination made under this Act may, at any time within sixty days after the determination is issued, file a petition to the United States Court of Customs and Patent Appeals which shall have jurisdiction to determine the matter de novo and to affirm, reverse, or modify as appropriate, the determination of the Federal agency.

CONTRACTOR'S PAYMENTS TO THE GOVERNMENT

SEC. 307. (a)(1) The Administrator of General Services, the Administrator of the National Aeronautics and Space Administration, and the Secretary of Defense shall issue regulations which will provide for payment to the Government by the contractor of an equitable share of royalties or other revenues received from a patent on a subject invention if—

(A) the contract under which the contractor receives title to the patent is intended to produce technology for commercial use or produces technology readily adaptable to commercial use, and such commercial use is expected to occur within 8.5 years; and

(B) the contribution by the Government to the technology has provided or will provide the contractor with a substantial near-term commercial advantage.

(2) Such payment shall not exceed the amount of Government funds expended under such contact in making the subject invention except that such payment may, under extraordinary circumstances, exceed the amount of Government funds expended under such contract when the agency and the contractor have agreed to a negotiated amount which is or may be in excess of the amount expended by the Government under the contract.

(3) Such regulations shall provide, to the extent appropriate, a standard contractual clause to be included in all Federal research and development contracts, but contractors which are small business firms or nonprofit organizations shall not be required to make any such payment to the Government.

(b) Such regulations may allow the agency to waive all or part of the payment set forth in subsection (a) 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;

(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 the technology;

(3) the total Government funding of the technology with the contractor is less than $500,000;

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

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

(c) Such regulations shall be promulgated within twelve months of enactment of this section, but shall not take effect for a period of sixty days after the date of their promulgation, and shall not take effect if either House of Congress adopts a resolution during such sixty-day period stating in substance that it disapproves of such regulations.

(d) Until such regulations 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 subsection (b).

BACKGROUND RIGHTS

SEC. 308. Nothing contained in this Act shall be construed to deprive the owner of any background patent or of such rights as the owner may have thereunder.

TITLE IV—DOMESTIC AND FOREIGN PROTECTION AND LICENSING OF FEDERALLY OWNED INVENTIONS

AUTHORITY OF FEDERAL AGENCIES

SEC. 401. 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) make market surveys and other investigations for determining the potential of inventions for domestic and foreign licensing and other forms of utilization, and 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;

(4) undertake the actions described in paragraphs (1), (2), and (3), and all other suitable and necessary steps to protect and administer rights to inventions on behalf of the Federal Government either directly or through contract;

(5) withhold publication by the Federal Government or release to the public by the Federal Government of information disclosing any invention in which the Federal Government owns or may own a right, title, or interest for a reasonable time in order for a patent application to be filed;

(6) 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 title 35, United States Code, as deemed appropriate in the public interest;

(7) transfer custody and administration, in whole or in part, to the Department of Commerce or to other Federal agencies, of the right, title, or interest in any invention for the purpose of administering the authorities set forth in paragraphs (1), (2), (3), (4), and (6) without regard to the provisions of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471); and

(8) 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 Act.

AUTHORITY OF THE SECRETARY OF COMMERCE IN COOPERATION WITH OTHER FEDERAL AGENCIES

SEC. 402. 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 401;

(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 invention for the purpose of taking any action set forth in paragraphs (1), (2), (3), (4), and (6) of section 401, with the approval of the Federal agency concerned without regard to the provisions of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471);

(6) receive funds from fees, royalties, or other management of federally owned inventions authorized under this Act, but such funds shall be used only for the purpose of this Act; and

(7) undertake these and such other functions either directly or through such contracts as are necessary and appropriate to accomplish the purposes of this title.

AUTHORITY OF THE ADMINISTRATOR OF GENERAL SERVICES

SEC. 403. 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.

GRANTS OF AN EXCLUSIVE OR PARTIALLY EXCLUSIVE LICENSE

SEC. 404. (a) 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, such agency determines that—

(1) 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;

(2) 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;

(3) 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

(4) 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;

except that a Federal agency shall not grant such exclusive or partially exclusive license if it determines that the grant of such license would, apart from the exercise of the exclusive rights in the invention, create or maintain a situation inconsistent with the antitrust laws.

(b) After consideration of whether the interests of the Federal Government or United States industry in foreign commerce will be enhanced, Federal agencies 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 would, apart from the exercise of the exclusive rights in the invention, create or maintain a situation inconsistent with the antitrust laws.

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

(d) Any grant of an exclusive or partially exclusive license shall contain such terms and conditions as the Federal agency may determine to be appropriate for the protection of the interests of the Federal Government and the public, including provisions for the following:

(1) periodic written reports at reasonable intervals including, when specifically requested by the Federal agency, the extent of the commercial or other use by the public that is being made or is intended to be made of the invention;

(2) a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for the Federal Government the licensed invention throughout the world by or on behalf of the Federal Government (including any Federal agency), and the additional right to sublicense any State or domestic local government or to sublicense any foreign government pursuant to foreign policy considerations, or any existing or future treaty or agreement, if the Federal agency determines it would be in the national interest to retain such additional rights;

(3) the right of the Federal agency to terminate such exclusive or partially exclusive license in whole or in part unless the licensee demonstrates to the satisfaction of the Federal agency that the licensee has taken effective steps, or within a reasonable time is expected to take such steps, to accomplish substantial commercial or other use of the invention by the public; and

(4) the right of the Federal agency, commencing three years after the grant of a license, to require the licensee to grant a nonexclusive or partially exclusive license to a responsible applicant or applicants, upon terms reasonable under

the circumstances, and in appropriate circumstances to terminate the license in whole or in part, after public notice and opportunity for a hearing, upon a petition by an interested person justifying such hearing, if the Federal agency determines, upon review of such material as it deems relevant, and after the licensee, or other interested person, has had the opportunity to provide such relevant and material information as the Federal agency may require, that such license has, apart from the exercise of the exclusive rights in the invention, created or maintained a situation inconsistent with the antitrust laws.

TITLE V—MISCELLANEOUS

DEFINITIONS

SEC. 501. As used in this Act—

(1) The term "Federal agency" means an "executive agency" 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.

(2) The term "contract" means any contract, grant, or cooperative agreement entered into between any Federal agency and any person for the performance of experimental, developmental, or research work funded 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 contract.

(3) The term "contractor" means any person, other than a Federal agency, that is a party to the contract.

(4) The term "invention" means any invention or discovery and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable or otherwise protectable under the laws of the United States.

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

(6) The term "practical application" means to manufacture (in the case of a composition or product), to practice (in the case of a process), or to operate (in the case of a machine or system), and, in each case, under such conditions as to establish that the invention is being worked and that its benefits are available to the public either on reasonable terms or through reasonable licensing arrangements.

(7) The term "person" means any person as defined in section 1 of title 1, United States Code, or other entity.

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

(9) The term "antitrust law" 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.

(10) The term "small business firm" means a small business concern as defined in section 2 of the Small Business Act (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration.

(11) 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)(3)) and exempt from taxation under section 501(a) of the Internal Revenue Code of 1954 (26 U.S.C. 501(a)), or any nonprofit scientific or educational organization qualified under a State nonprofit organization statute.

RELATIONSHIP TO OTHER LAWS

SEC. 502. Nothing in this Act shall be deemed to convey to any individual, corporation, or other business organization immunity from civil or criminal liability, or to create defenses to actions, under any antitrust law.

IDENTIFIED ACTS AMENDED

SEC. 503. The following Acts are hereby amended as follows:

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

(2) Section 501(c) of the Federal Mine Safety and Health Act of 1977 (30 U.S.C 951(c); 83 Stat. 742) is amended by striking out the last sentence thereof.

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

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

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

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

(A) by striking out section 305 thereof (42 U.S.C. 2457), except that subsections (c), (d), and (e) of such section shall continue to apply to any application for patents in which the written statement referred to in subsection (c) of such section has been filed or requested to be filed by the Commissioner of Patents and Trademarks prior to the effective date of this Act;

(B) by striking out, in section 306(a) thereof (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 in lieu thereof "an Inventions and Contributions Board which shall be established by the Administrator within the Administration";

(C) by striking out the period at the end of paragraph (13) of section 203(c) thereof (42 U.S.C. 2473(c)) and inserting in lieu thereof a semicolon and by inserting after such paragraph the following:

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

(D) by adding at the end of such section 203 the following new subsection: "(d) For 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

(E) by striking out "(including patents and rights thereunder)" in subsection (a)(3) of such section 203.

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

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

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

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

(11) Except for paragraph (1), section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908; 88 Stat. 1887) is repealed.

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

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

(14) Paragraph (3) of section 8001(c) of the Solid Waste Disposal Act (42 U.S.C. 6981(c)(3); 90 Stat. 2829) is repealed.

(15)(A) Chapter 38 of title 35, United States Code, is repealed. Regulations issued under such chapter 38 shall continue in force until regulations implementing this Act have taken effect.

(B) The table of chapters of part IV of title 35, United States Code, is amended by striking out the item pertaining to chapter 38.

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

EFFECTIVE DATE

SEC. 504. This Act shall take effect on the first day of the seventh month beginning after the date of enactment of this Act, except that regulations implementing this Act may be issued prior to such day.

PURPOSE OF THE BILL

The purpose of the bill is: (1) to make Federal law and actions uniform regarding rights to inventions resulting from federally sponsored research and development in such a way as to encourage the participation of the most competent firms and individuals in Federal R&D programs, foster competition, and promote the widespread use of inventions, and (2) to provide for a licensing program for federally owned inventions.

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I. SUMMARY

A. Background

The principal issue of Federal patent policy addressed by H.R. 4564 is: who should own the right to patents conceived under Federal contracts. This is a long-standing issue with which the Committee on Science and Technology has been concerned since 1958.

During the 95th, 96th, and 97th Congress, bills on this issue were introduced in the House and referred jointly to the Committees on the Judiciary and on Science and Technology. H.R. 4564 is jointly referred this way.

In the 96th Congress H.R. 6933 was enacted into law and is now Public Law 96-517. Section 6 of that law concerns Federal patent policy for nonprofit organizations (universities in particular) and small businesses. Under section 6, universities and small businesses may keep title to inventions they make under Federal contracts (including grants) in most circumstances.

H.R. 4564 was introduced by Rep. Allen Ertel on September 23, 1981, the same day that a companion bill, S. 1657 was introduced in the Senate by Sen. Harrison Schmitt. Joint hearings were held on these two bills by the Committee and the Senate Commerce Committee on September 30, 1981. The Committee ordered the bill reported on November 17, 1981.

B. Rationale for the Bill

The bill is needed as part of a broad Federal effort to provide the right climate for a healthy economy.

Federal research and development contracts frequently result in inventions which have great potential for commercial use in the economy. The Federal government has kept title to thousands of patents made under Federal contracts. The rate of commercialization of Federally owned patents, however, is not very high. Frequently these patents are available under nonexclusive licenses, but because commercializing an invention is both risky and expensive, this nonexclusivity makes the invention commercially unattractive.

In order to promote the use of inventions made under Federal contracts, title to the inventions should be left with the contractor since the contractor is in the best position to commercialize the inventions. This "title in contractor" approach is the heart of the bill.

A second reason the bill is needed is to provide for uniformity in patent policy among agencies. Currently each agency has its own policy. The diverse array of patent policies across the Government deters potential contractors from participating in Federal R&D programs.

H.R. 4564 will stimulate the most competent contractors to participate in Federal R&D programs both by offering title in contractor and by providing uniformity government-wide.

Finally, H.R. 4564 is needed to provide a uniform system for the licensing of Federally owned patents, with a lead agency (the Department of Commerce) overseeing operation of the system.

C. Brief Description of the Bill

The bill provides for the allocation of rights to inventions made under Federal contracts in title III. The essence of title III is that rights to inventions should remain with the contractor except in exceptional circumstances, in which the Government would have the rights.

In order to prevent a contractor from quashing an invention to which the contractor has the rights, Title III provides that the Government can "march-in" and regain the rights to the invention, but only under certain circumstances.

Title III provides for judicial review of contested administrative decisions by agencies and provides for the recoupment of funds by the Government in cases where government support has provided a contractor with rights to a profitable invention giving the contractor a significant competitive advantage.

Licensing of federally-owned inventions is covered in Title IV. The Commerce Department is designated as the lead agency for licensing, and each agency is given a variety of authorities needed for an effective licensing program. The conditions under which an exclusive or partially exclusive license may be granted are described in this title.

The Federal Coordinating Council for Science, Engineering, and Technology, with the Department of Commerce in a strong supporting role, is given the lead by the bill for monitoring implementation of the bill and Federal patent policy, generally.

The bill preserves the right to keep title to inventions which was given to universities and small businesses by Public Law 96-517 and extends that right to all Federal contractors.

D. Effect of Committee Amendment

The Committee amendment to H.R. 4564 strikes all after the enacting clause and inserts new text. The new text preserves the basic structure of the bill, as introduced, without any major changes. The amendment incorporates a large number of technical changes made by the Committee, however, as well as several substantive amendments. The substantive amendments are discussed in the "Issues Involved in H.R. 4564" section of this report as well as the detailed "Sectional Analysis" which follows the "Issues" section.

The principal Committee amendments to H.R. 4564 which are incorporated in the amendment have the following effects:

1. To conform the bill more closely to Public Law 96-517 for the benefit of universities and small businesses.
2. To limit likelihood of recoupment of funds by the Government and the amount which may be recouped.
3. To clarify anti-trust provisions of the bill.

4. To prohibit the sublicensing of contractor-owned inventions to foreign governments by the United States Government.

E. Sectional Analysis

TITLE I—POLICY

Section 101 gives the findings of Congress indicating the need for the bill.

Section 102 gives the purpose of the bill.

TITLE II—FUNCTIONS OF THE OFFICE OF SCIENCE AND TECHNOLOGY POLICY AND THE FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING, AND TECHNOLOGY

Section 201 provides that the Federal Coordinating Council for Science, Engineering and Technology, with assistance from the Department of Commerce, shall oversee implementation of the bill and formulate recommendations on Federal patent policy.

TITLE III—ALLOCATION OF PROPERTY RIGHTS IN INVENTIONS RESULTING FROM FEDERALLY SPONSORED RESEARCH AND DEVELOPMENT

Section 301 gives the circumstances in which the Federal Government will retain title to inventions and stipulates Federal rights to be reserved when the contractor retains title.

Section 302 provides that the contractor shall keep title to an invention in most cases and gives rights reserved by the contractor when the Government retains title.

Section 303 provides for agency waivers of Federal rights under section 301.

Section 304 allows the Government to "march-in" and regain control of the rights to an invention if the contractor hasn't commercialized the invention or for three other reasons.

Section 305 requires that regulations shall be issued implementing the Act and specifies a number of items that must be included in the regulations.

Section 306 provides for judicial review of agency administrative decisions under the Act.

Section 307 requires that regulations be issued providing for recoupment of funds by the Government when the contractor has retained title to a very profitable invention.

Section 308 provides that the Act shall not be construed to deprive anyone of the right to background patents.

TITLE IV—DOMESTIC AND FOREIGN PROTECTION AND LICENSING OF FEDERALLY OWNED PATENTS.

Section 401 authorizes each agency to take a number of actions for the licensing of patents owned by the government.

Section 402 gives the Commerce Department a lead role in licensing Federally owned inventions.

Section 403 provides that the Administrator of General Services may promulgate regulations regarding the licensing of Federally owned inventions.

Section 404 provides for the issuing of exclusive or partially exclusive licenses on federally owned domestic patents by agencies and for agencies' licensing of federally owned foreign patents.

TITLE V—MISCELLANEOUS

Section 501 gives the definitions of eleven terms used in the bill.

Section 502 provides that the Act provides no immunity from antitrust law.

Section 503 amends or repeals portions of sixteen existing laws that prescribe patent policy for individual agencies.

Section 504 gives the date the Act shall take effect.

II. BACKGROUND

A. Need for Better Utilization of Patents

Article I, section 8 of the United States Constitution states that "The Congress Shall Have Power. . .To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries. . ." This constitutional provision is the basis on which the patent system is built. This system is an important and integral component of technological innovation, for it works to stimulate invention both by protecting the innovator and by fostering competition. It permits the inventor lead time to develop and commercialize his idea and, in the process, attempt to recover his investment costs and realize a profit. The patent system also provides for a concept to be brought to the public's attention since the description of an invention contained in a patent is widely available. Patenting works to stimulate other firms and innovators to conceive different inventions to provide parallel technological developments or to meet similar demands. The system promotes competition and has resulted in commercialization of ideas rather than functioning as a means to hinder development of new ideas.

At the present time, the Government frequently takes title to inventions produced from research supported by Federal funds (with the exception of work performed by universities, small businesses and non-profit organizations, as discussed below). The Federal Government currently has title to some 28,000 patents. Many of these patents are on inventions of great potential economic impact. However, only about five percent of federally-owned patents are utilized in the private sector. Government policies concerning ownership of title to federally-funded inventions and the Government's non-exclusive licensing practices have resulted in this low level of commercialization and utilization of patents. Without title to an invention and the 17-year exclusivity it provides, an individual or company will usually not invest the time and money necessary for the development of a marketable product. In support of this, a 1968 study performed by Harbridge House for the Federal Council for Science and Technology concluded that when title was given to the contractor, a significant increase in commercialization occurred while, at the same time, no evidence was found of the creation of windfall profits for the company.[1]

The Federal Government has had a small program in the Department of Commerce for the marketing of federally owned patents, but it has been underfunded and has therefore not been able to achieve utilization of many patents.

[1] U.S. Congress. House Committee on Science and Technology. Subcommittee on Science, Research and Technology. Government patent policy. Hearings, 96th Cong., 1st Sess., Washington, U.S. Govt. Print. Off., 1979.
Hearings held Oct. 16-17, 1979. p. 21.

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The importance of innovation and technological development to the U.S. economy cannot be overemphasized. Technological innovation is the process by which industry generates and diffuses new and improved products and processes. This is a process which is comprised of various interrelated activities including idea generation, research, development, and commercialization. What is crucial to the economy, however, is the availability of a product or process in the marketplace for only then can it make a contribution to economic growth. It has been estimated that technological innovation was responsible for about one-third of U.S. economic growth from 1929–1969 and about 48% between 1948 and 1969.[2]

The current state of the U.S. economy has led to an increasing concern over the rate of innovation. Much of the available information indicates that there are trends which indicate a decline in U.S. innovation relative to past levels and to foreign competition.[3]

—The number of U.S. domestic-origin patents granted has declined since the late 1970's.

—The U.S. patent balance is declining. In 1960 about one U.S. patent out of 7 was awarded to a foreign inventor; now it is about 1 out of 3.

—The U.S. is behind its European and Japanese allies in terms of productivity growth rates. Annual change in private sector productivity in the U.S. was +3.4% from 1947 to 1966, +2.15% from 1966 to 1973, +1.15% from 1973 to 1978, −0.25% from 1978 to 1980, and −1.9% in the third quarter of 1981.[4]

—Where the U.S. engages in substantial R&D it is successful in international trade, but where it does not try to be innovative it is not successful. In 1979 the U.S. ran a trade surplus of $39 billion in R&D-intensive manufactured products and a trade deficit of $35 billion in non-R&D intensive manufactured products.[5]

—Since the 1960's Federal expenditures for research and development, adjusted for inflation, have decreased.

—The ratio of national R&D expenditures to the Gross National Product has declined in the U.S. in the past decade while it has increased in Japan, West Germany and other countries.

The patent system is a factor in this situation. It must be recognized that the Federal Government cannot commercialize and market products or processes that have been developed under the auspices of Federal funding. When the Government keeps title to the inventions made, industry generally will not develop, commercialize, or market these technologies. Without goods or services in the marketplace, the economic benefit of the invention cannot be realized.

A better way is needed to ensure that federally-funded patents are commercialized.

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[2] U.S. Congress. House Committee on Science and Technology. National Science and Technology Policy Issues, 1979; A Compendium of Papers. 96th Cong., 1st Sess., Washington, U.S. Govt. Print. Off., 1979, p. 24.

[3] U.S. Congress House Committee on Ways and Means. Subcommittee on Trade. Technology and Trade: Some Indicators of the State of U.S. Industrial Innovation. 96th Cong., 2nd Sess., Washington, U.S. Govt. Print. Off., 1980.

[4] Source: Bureau of Labor Statistics.

[5] Source: National Science Foundation.

B. History of Federal Patent Policy

1. GENERAL

The principal issue of Federal patent policy is: Who should own the right to patents conceived under Federal contracts. H.R. 4564 and this report address that issue. There are several other matters regarding patents on which there is other legislative activity in this Congress, namely: patent term restoration (should patent life begin when regulatory procedures end?), court of patent appeals (should there be a single Federal court of appeals to hear all patent cases?), and inventors' rights (should employed inventors retain certain rights to their inventions, regardless of their employers?). H.R. 4564 and this report do not address these issues.

2. THROUGH THE 95TH CONGRESS

Federal patent policy is a long-standing issue. This report mentions only a few selected events in its history, which dates back at least to 1883. In 1945 the National Patent Planning Commission issued a report, "Government-Owned Patents and Inventions of Government Employees and Contractors", which dealt specifically with the issue of Federal patent policy.

Under its former name, Science and Astronautics, the Committee on Science and Technology established a Special Subcommittee on Patents and Scientific Inventions in 1959. The Subcommittee was established following controversy over the ownership of rights to inventions which had arisen in legislative action on the National Aeronautics and Space Act of 1958.

In 1963 President Kennedy issued a memorandum on patent policy which drew heavily on that subcommittee's recommendations.

During the 1960's bills regarding Federal patent policy were introduced in almost every Congress. None was passed.

In 1968 a Committee on Government Patent Policy of the Federal Council on Science and Technology reported its recommendations on the issue, supporting continuation of flexible implementation of the 1963 memorandum.

In 1971 President Nixon issued an Executive Order revising and extending the 1963 memorandum.

Extensive sets of regulations implementing various patent policies were promulgated agency-by-agency, in the 1960's and 1970's based on the 1963 memorandum (as revised), and on any provisions regarding patent policy which might have been included in the agencies' own organic or authorizing Acts.

In the 94th Congress, the House Committee on Science and Technology, Subcommittee on Domestic and International Scientific Planning and Analysis held hearings on Government Patent Policy under Chairman Ray Thornton. At these hearings, Dr. Betsy Ancker-Johnson, Assistant Secretary of Commerce for Science and Technology, outlined a proposal on government patent policy made by the Committee on Government Patent Policy of the Federal Council for Science and Technology (FCST). These policy recommendations would: "first, permit the contractor ro retain title to any invention as long as the contractor sought patent protection and the

commercialization of the invention, and simultaneously, require the Federal agencies to acquire all rights necessary to safeguard the public interest; second, codify the basic policy concepts of Executive Order No. 10096, add incentives, and make the law applicable to all Federal employees; and finally, authorize the Federal agencies to protect federally owned inventions, as warranted, and to license the inventions so as to enhance commercial utilization." [6]

Despite these hearings, no legislation concerning Federal patent policy was introduced in the 94th Congress. However, in the 95th Congress, H.R. 6249, the Uniform Federal Research and Development Utilization Act of 1977 (known as the "Thornton bill") was introduced and referred jointly to the House Committees on Science and Technology and the Judiciary. This bill incorporated many of the concepts delineated in the FCST proposal identified at the earlier hearing. During the same Congress the Small Business Non-profit Organization Patent Procedures Act was introduced in the Senate. This measure, referred to the Senate Committee on the Judiciary, was similar to the House version except with regard to the rights of inventions made by Government employees and in that the provisions of this bill would apply to small businesses and non-profit organizations. Neither bill was enacted.

3. 96TH CONGRESS

In the 96th Congress, several bills were introduced on ownership of title to inventions made under Federally-funded research and development. Among these was H.R. 5715, the "Uniform Federal Research and Development Utilization Act of 1979," which was similar to the "Thornton bill" of the previous Congress, and was similarly referred jointly to the House Committees on the Judiciary and on Science and Technology. Hearings were held in the Subcommittee on Science, Research and Technology,[7] [8] and the bill was ordered reported by the Subcommittee but further action in the Committee on Science and Technology was put in abeyance pending the outcome of action on H.R. 6933.

Also introduced were H.R. 6933, "Amendments to the Patent and Trademark Laws", and S. 414, the "University and Small Business Patent Procedures Act." Extensive hearings were held on these bills in the House and Senate, and they were reported and passed. A compromise between the House and the Senate resulted in the passage of "Amendments to the Patent and Trademark Laws" (H.R. 6933, as amended) which included the sections of H.R. 6933 dealing with prior art citations by the Patent and Trademark Office, reexamination of patents, and patent fees, but did not include the section on patent policy from H.R. 6933.

Instead, the compromise bill incorporated most of S. 414 as its section on patent policy as well as a new section on computer software copyright.

During final action in the House on this compromise on November 21, 1980, both Mr. Fuqua and Mr. Kastenmeier, Chairman of the Subcommittee of the Judiciary Committee with jurisdiction

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[6] U.S. Congress House. Committee on Science and Technology. Subcommittee on Domestic and International Scientific Planning and Analysis. Govt. Patent Policy. Hearings, 94th Cong., 2nd Sess. Washington, U.S. Govt. Print. Off, 1976. p. 887.

[7] U.S Congress. Govt. patent policy Hearings, 96th Cong., 1st Sess., Oct. 16-17, 1979, loc. cit.

[8] U.S. Congress House Committee on Science and Technology Subcommittee on Science, Research and Technology. Government Patent Policy Act of 1980. Hearing, 96th Cong , 2nd Sess., Washington, U S. Govt. Print. Off., 1980. Hearing held on Feb. 8, 1980.

over Federal patent policy indicated their intention "to work in the next Congress and try to insure that we do bring about a more uniform patent policy for this country." The bill was signed by President Carter on December 12, 1980, and is now P.L. 96-517.

Section 6 of P.L. 96-517, dealing with Federal patent policy acknowledges, to some extent, the importance of vesting title to inventions made under federally-funded R&D in the contractor. This section provides small business and not-for-profit organizations (including universities) with title to patents conceived under government financed work. Other contractors are not afforded such patent rights.

4. 97TH CONGRESS

In the 97th Congress, H.R. 4564 was introduced on September 23, 1981 by Representative Allen Ertel, with Representatives Fuqua, Walgren, Brown of California, Hollenbeck, LaFalce, AuCoin, Murphy, Heckler, Hughes, and Winn as cosponsors. On the same day Senator Schmitt introduced a companion bill, S. 1657, in the Senate.

H.R. 4564 is quite similar to H.R. 5715 from the 96th Congress, and, similarly, was referred jointly to the House Committees on the Judiciary and on Science and Technology. S. 1657 was referred solely to the Senate Committee on Commerce, Science, and Transportation.

Joint hearings were held on H.R. 4564 and S. 1657 by the House Committee on Science and Technology and the Senate Committee on Commerce, Science and Transportation on September 30, 1981.

On October 29, 1981 the Science and Technology Committee began markup of the bill. Markup was completed and the bill was ordered reported on November 17, 1981 by voice vote, a quorum being present.

C. Issues Involved in H.R. 4564

1. DISPOSITION OF RIGHTS

The basic issue which H.R. 4564 addresses is: who should own the rights to inventions conceived under Federal contracts? The position embodied in the bill is that under most circumstances the contractor should retain title. This "title in contractor" approach is taken because the Committee believes that this is the most effective way to ensure that inventions are put into commercial use in products or processes.

An overwhelming preponderance of the testimony taken by the Committee over the past four Congresses supports the title in contractor concept. The current Administration expressed strong support of the concept in the September 30, 1981 hearing on the bill. Dr. George Keyworth, Director of the Office of Science and Technology Policy in the Executive Office of the President stated in his testimony that, ". . . the intent of the legislation before us today is entirely consistent with the Administration's economic recovery program." Sherman Unger, General Counsel of the Department of Commerce, concurred, "I want to emphasize that the

Department of Commerce and the Patent and Trademark Office are enthusiastic supporters of this position."

The bill provides that agencies may retain title to inventions in a limited set of circumstances, but the intent of the bill is that retention of title by the Government would be exceptional.

2. UNIFORMITY

At present, each Federal agency has its own patent regulations concerning the granting of title and exclusive and nonexclusive licenses (with the exception of situations involving small businesses, universities, and nonprofit organizations). Many witnesses at hearings on Government patent policy have stated that there is an administrative burden associated with this lack of uniformity and that the subsequent uncertainty of agency policy implementation is a deterrent to private sector participation in Federal research and development activities. In addition, overly restrictive agency policies concerning title also have been identified as hindering the operation of the system. H.R. 4564 provides a uniform procedure for providing all contractors with title to patents made under federally funded R&D (with certain specified exceptions). Thus, prior to engaging in R&D work, a contractor would be knowledgeable as to the disposition of patent title, thus removing most of the uncertainty about property rights and related Federal action.

3. MARCH-IN RIGHTS

H.R. 4564 contains provisions for the Government to march in where the contractor has retained title to an invention and regain control over the disposition of rights to an invention under certain specified circumstances. This "march-in right", Mr. Mossinghoff, Commissioner of Patents and Trademarks, testified, ". . . provides an answer to those who feel that giving commercial rights to Government contractors will somehow permit suppression of the new technology or somehow have anti-trust implications." March-in rights generally would be exercised, according to the bill, when a company fails to commercialize within a "reasonable" time period. While march-in rights can prevent "defensive patenting," [9] the agencies also must take into consideration a realistic lead time for development of a patent prior to exercising the march-in provision.

4. BACKGROUND PATENTS

In some cases the Government has been able to require mandatory or compulsory licensing of privately-developed background patents as a prerequisite to the letting of a contract. The threat of this may inhibit some companies from applying for Government projects. Firms with significant research and development experience often have numerous patents and therefore are reluctant to participate in Government contracts. As evidenced by the testimony provided during the Committee's 1979 and 1980 hearings on patent policy, it is generally agreed that background patent rights should not be surrendered to the Government. H.R. 4564 states

[9] "Defensive patenting" is obtaining a patent on an invention which a company does not want to commercialize, but wants to prevent other firms from doing so.

that a contractor will not be deprived of any background patents by the application of this legislation.

5. TITLE VERSUS LICENSING

The approach in H.R. 4564 consists of giving title to the contractor in most situations and permitting licensing of Government-owned patents when the Government has retained title. The emphasis on title rather than licensing (the approach also used in the related Senate bill S. 1657) helps (1) to ease the administrative burden imposed when, through licensing, the Government becomes party to litigation and (2) to avoid the increased costs of overseeing the licensing process. Yet, as Commissioner Mossinghoff noted in his September 30, 1981 testimony, the bills permit flexibility in dealing with patents and allow for exceptions when title should not be vested in the contractor. However, Mossinghoff pointed out, these bills place the burden of retaining title on the agency (as it should be in his opinion) rather than on the contractor as is currently the practice.

6. PAYMENTS TO THE GOVERNMENT (RECOUPMENT)

H.R. 4564 contains a provision for payments to the Government. These payments are intended to permit recoupment of the Government funds paid to the contractor. When the Government has paid a company to perform research and development, the Government's funding includes the company's profit on the contract. Ownership and utilization of a resultant patent provides added benefit. The Government also should benefit from the income generated by the application of the patentable idea conceived during taxpayer-financed activities. The recoupment provision contained in the amendment adopted by the Committee provides that recoupment will only take place if the contractor has acquired a substantial near-term commercial advantage, and shall not exceed the amount of the government funds expended except that under extraordinary circumstances the contractor and agency may agree to a negotiated amount in excess of the government funds which were expended. Hence, the provision should not serve as a disincentive to commercialization. Another change made by the amendment exempts small businesses and non-profit organizations from any recoupment.

Critics of the recoupment provision argue that the Government receives a payback through taxes paid. New jobs are created and more wealth generated. The public receives benefits as a result of the availability of a new product or process in the marketplace. As Dr. Edwin Mansfield found in his research, the benefits to the public resulting from the introduction of an innovation are greater than those realized by the individual firm.[10] Operation of such a recoupment program could be a costly administrative burden. It is also a difficult and uncertain task to determine what portion of the product or process results from the patent and thus what percent of the profit is subject to recoupment.

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[10] U.S. Congress. House Committee on Science and Technology. National Science and Technology Policy Issues, A Compendium of Papers. Washington, U.S. Govt. Print. Off., 96th Cong., 1st Sess., Feb. 1979. p. 25.

In light of this, the Administration's position, as stated by Dr. Keyworth in his testimony before the September 1981 joint hearing, is that, ". . . in the interests of operational simplicity, . . . the constraint of recoupment required would be best left out."

The Committee discussed recoupment at length during markup of the bill and retained an amended recoupment section.

7. MANAGING AGENCY

H.R. 4564 gives responsibility for certain activities for oversight and implementation of Federal patent policy to the Federal Coordinating Council for Science Engineering, and Technology (FCCSET) and responsibility for other activities to the Secretary of Commerce. In testimony before the September 30, 1981 joint hearings. Milton Socolar, Acting Comptroller General, argued that the implementation and oversight of Federal patent policy should not be the responsibility of one agency, and he noted that he preferred the managing agency approach of H.R. 4564, which shares the responsibilities between FCCSET and the Department of Commerce. The Committee amendment to the bill strengthens the role of the Department of Commerce in FCCSET for the consideration of patent policy.

8. JUDICIAL REVIEW

Several sections of H.R. 4564 require administrative decisions to be made. For example, (1) Sec. 301(a) requires agencies to determine whether they will retain title, (2) Sec. 303 allows agencies to waive U.S. rights under section 301(a), (3) Sec. 304 permits agencies to require contractors to license patents in some circumstances. In order to give either the contractor or an affected third party the opportunity to appeal these administrative decisions, H.R. 4564 provides that a review of the decision can be made by the United States Court of Customs and Patent Appeals.

9. TREATMENT OF UNIVERSITIES AND SMALL BUSINESSES

The Committee was particularly concerned that the rights to inventions for universities and small businesses contained in H.R. 4564 should be at least as strong as those in section 6 of P.L. 96-517, the current law.

In the case of universities, the Committee wishes to provide special encouragement since universities frequently generate ideas that lead to innovations, but innovation is not the main pursuit of universities.

In the case of small businesses, the Committee wishes to provide special encouragement because small businesses are extremely fecund in producing innovations, but establishing a successful small business is very difficult. The difficulty should be minimized.

The Committee amendment conforms H.R. 4564 to section 6 of P.L. 96-517 in several respects and, further, changes H.R. 4564 so that rights of universities and small businesses under the bill are stronger than under section 6 (which is repealed by the bill).

Limitations on the freedom of small businesses and universities under P.L. 96-517 to do as they wish with their patents, which are repealed by H.R. 4564 include:

1. The need to get agency approval to assign patent rights to a third party.

2. Limitations on what can be done with patent royalties.
3. Limitations on the type of firms to which patent rights can be assigned.
4. The possibility that the Federal government may sublicense the invention to a foreign government. H.R. 4564, as amended, also provides that universities and small businesses shall not be required to make recoupment payments to the government. P.L. 96–517 has no such bar on agencies.

The bill as amended also provides that regulations implementing the bill may differ according to the type of contractor. Universities, small businesses, and other contractors all differ significantly. Regulations must be framed with those differences in mind. The Committee believes, however, that separate laws for different classes of contractors are not desirable.

10. ANTITRUST CONSIDERATIONS

Purposes of H.R. 4564 include the fostering of competition and promoting the widespread utilization of inventions. In adopting a "title in contractor" approach to help achieve these purposes, the bill, as introduced, contained several portions aimed at ensuring that vesting title in the contractor did not result in violations of antitrust laws or concepts. In several places the bill contained the words "fostering competition and preventing undue market concentration or the creation or maintenance of other situations inconsistent with the antitrust laws", or similar language intended to guide agencies in implementing the bill. The Committee amendment abbreviates the language in each of these places to "prevent the creation or maintenance of a situation inconsistent with the antitrust laws", or similar language. This was done in part to avoid having each agency judge what constitutes "fostering competition" or "undue market concentration". Limitation was placed on the scope of the agency's antitrust determination, also, 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 antitrust 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. Of course, the agency may commence action pursuant to its antitrust authority before the questionable conduct actually becomes a per se antitrust violation.

III. SECTIONAL ANALYSIS

A. Title I—Policy

Section 101—Findings

Federal patent policy would serve the public interest better if it more effectively promoted the commercialization of inventions conceived under Federally sponsored research and development.

Section 102—Declaration of purpose

The purpose of the Act is first, to provide a uniform Federal patent policy which encourages the best contractors to participate in Federal R&D programs, fosters competition, and promotes the widespread use of inventions resulting from the programs, and, second to provide for a licensing program for federally owned inventions.

B. Title II—Functions of the Office of Science and Technology Policy and the Federal Coordinating Council for Science, Engineering and Technology

Section 201—Federal Coordinating Council for Science, Engineering, and Technology

This section requires that the Council study Federal patent policy and its implementation (particularly the operation of this Act), formulate recommendations, and make its findings known. The Committee amendment provides that the Secretary of Commerce should play a key role in Council activities on Federal patent policy by chairing a committee of the Council to formulate Council recommendations. The Commerce Department plays a key role in title IV of the bill regarding licensing and contains the Patent and Trademark Office. Its role in policy formulation will complement its roles in other aspects of patents.

C. Title III—Allocation of Property Rights in Inventions Resulting From Federally Sponsored Research and Development

Section 301—Ownership and rights of the Government

Subsection (a) describes the exceptional situations in which the Government would retain title to an invention. Seven instances are described:

1. In the case of contracts for the operation of Federal R&D centers.

2. In the case of protecting the national security nature of activities under the contract.

3. Where, because of exceptional circumstances, the Government needs to keep title to protect the public health, safety, or welfare. It is expected that regulations implementing the Act will provide

guidelines for agency implementation of this item. The guidelines should be drawn in such a way that agencies cannot reverse the intent of the Act and retain title to patents as a matter of course. By the Committee amendment to this paragraph, recombinant DNA research is to be considered an exceptional circumstance. The Government will take title to recombinant DNA inventions unless it makes an affirmative finding pursuant to section 303 that the condition justifying acquisition of title by the Government under section 301 no longer exists or the interests of the United States and the general public will be best served if such rights were waived. These waivers should be granted wherever possible. It is the intent of the amendment to have each Federal agency make this determination at the time of entering into the contract for federally sponsored research and development.

4. Where the invention will be required for compliance with Government regulations.

The remaining three cases were added by the Committee amendment and are cases designed to keep research performance and the benefits of the research in the United States.

5. Where the research will be performed outside the U.S.

6. Where the contractor does not have a place of business in the U.S.

7. Where the contractor is a foreign government or is the agent of one.

Subsection (b) provides that where the Government does not retain title at the time of contracting:

(1) The Government will get title later to any invention the contractor does not want to patent.

2(A) The Government may require reports from the contractor on the use of an invention.

2(B) The Government may practice the invention free of charge and may, if specified in the contract, allow State or local governments to practice the invention. (To "practice" an invention means to produce it if it is a product and to use it if it is a process—loosely speaking.)

By the Committee amendment, a portion of text that would have given the U.S. government the right to sublicense a foreign government was struck from the bill.

Section 302—Rights of the contractor

Subsection (a) is the heart of the Act. It states that the contractor may retain title in all circumstances except the exceptional circumstances described in subsection 301(a).

Subsection (b) states that if the Government has retained title the contractor may practice the invention free of charge unless the Government decides an exclusive license should be granted.

Subsection (c), added by Committee amendment, provides that an agency may give the rights to an invention to the inventor employed by a contractor if the contractor doesn't want them.

Subsection (d), also added by Committee amendment, provides that in the case of an invention made by more than one person, and one of them is a Federal employee, the agency may assign its rights to the invention to the contractor, if the contractor is a small business or a non-profit organization (such as a university). This is a provision taken from P.L. 96-517.

Section 303—Waiver

This section provides that an agency may waive the government's right to retain title under subsection 301(a) if waiving those rights will best serve the public interest, in view of the purpose of the Act.

Section 304—March-in-rights

Subsection (a) provides that an agency may grant a license on an invention to a third party if this is necessary for any of four reasons:

(1) The contractor is not commercializing the invention.

(2) To protect national security, health, safety, or welfare. (Again, the application of this provision is expected to be rare.)

(3) To meet requirements of Federal regulations.

(4) Antitrust problems have arisen.

Subsection (b) prescribes procedures to be followed by an agency in making a decision to exercise its march-in rights.

Section 305—General provisions

Subsection (a) requires that uniform regulations be issued implementing the allocation of rights to inventions. The regulations must follow the specifications of the Act and must require each agency to include provisions in its contracts which:

(1) require disclosure of inventions.

(2) require a decision by the contractor on whether to apply for a patent.

(3) require the contractor to file a patent application and to declare intent to commercialize the invention, if the contractor wants to keep title.

(4) require the contractor to state in any patent or patent application that the Government provided support for the invention and has certain rights regarding it.

(5) permit the agency to waive march-in rights, reporting requirements, and retention of license by the government in special circumstances.

(6) require that a transfer by a contractor of the rights to an invention be subject to the rights of the Government given in the Act. The Committee intends that contractors should be able to transfer their rights freely, subject only to the explicit rights of the Government given in the Act. For the purpose of applying section 1235 of the tax code, the Committee intends that the Government's rights should not be considered as "substantial". The Committee intends that income from the sale of a patent on an invention made under a contract with the Government should be considered a capital gain.

Subsection (a) also provides that the Federal Government should not release information on a disclosed invention for a time so that a patent application can be filed. Premature release of information might cause the application to be rejected.

Subsection (b) gives agencies certain authority to license inventions where agency march-in rights have been exercised.

Subsection (c), added by Committee amendment, provides that regulations may vary according to the type of contractor.

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Subsection (d), also added by the Committee amendment, exempts the Tennessee Valley Authority from the Act. TVA is a unique organization which the Committee believes should not be considered a Federal agency for the purposes of establishing uniform Federal patent policy.

Section 306—Judicial review

This section provides that agency determinations under the Act may be reviewed by the United States Court of Customs and Patent Appeals. As introduced, the bill specified the United States Court of Claims. This was changed by the Committee amendment.

Section 307—Contractor's payments to the Government

This section, the recoupment section, provides that contractors (other than nonprofit organizations and small businesses, which are exempted from recoupment by Committee amendment) should share revenues from a patent with the Government.

Recoupment should occur, according to paragraph (a)(1) only if commercial use is expected to occur within half the lifetime of a patent (8.5 years) from the date of signing of the contract and only if the Government's contribution provides the contractor with a substantial near-term commercial advantage.

Paragraph (a)(2) provides that the total amount of money recouped by the Government should not exceed the amount paid by the Government under the contract under which the invention was made, except in extraordinary circumstances. It is expected that recoupment would exceed the Government's payment only very rarely, in cases where the invention has reaped huge profits for the contractor, relative to the Government's payment.

Paragraphs (a) (1) and (2) were added by the Committee amendment.

Subsection (b) provides that the agency may waive recoupment in a number of circumstances.

Subsection (c) provides that regulations developed to implement recoupment are subject to review by Congress and may be disapproved by either House.

Subsection (d) provides that agencies should obtain recoupment payments in a manner consistent with subsection (b) prior to the time that regulations on recoupment become effective.

Sections 308—Background rights

This section states that nothing in the Act shall be construed to deprive the owner of any background patent rights.

D. Title IV—Domestic and Foreign Protection and Licensing of Federally Owned Inventions

Section 401—Authority of Federal agencies.

This section authorizes each agency to—

(1) obtain patents or other protection for inventions,
(2) promote the licensing of inventions,
(3) make market surveys, negotiate, etc.,
(4) take steps 1 through 3 either on their own or by contract,
(5) withhold premature publication of information on inventions,

(6) license inventions,
(7) let the Commerce Department undertake the steps above for them, and
(8) designate the Commerce Department as the recipient of income from inventions to which the agency has title.

Section 402—Authority of the Secretary of Commerce in cooperation with other Federal agencies

This section gives the Commerce Department a lead role in licensing Federal inventions and gives the Department several explicit authorities to help it carry out that role.

Section 403—Authority of the Administrator of General Services

The Administrator may promulgate regulations regarding the licensing of Federally owned inventions.

Section 404—Grants of an exclusive or partically exclusive license

Under Subsection (a) agencies may grant an exclusive or partially exclusive license to a federally owned U.S. patent, but only if—
(1) the best interests of the Government and the public will be served,
(2) nonexclusive licensing won't lead to practical use of the invention,
(3) such a license is needed to provide an incentive for commercialization of the invention, and
(4) the terms of the license do not allow more exclusivity than necessary to promote commercialization.
Subsection (b) provides for licensing by agencies of federally-owned foreign patents.
Subsection (c) requires record-keeping on agency licensing.
Subsection (d) requires that terms of licenses include:
(1) reporting by the licensee on use of the invention,
(2) retention of certain rights to use the invention by the Government,
(3) the right of the agency to revoke the license if commercial use is not accomplished,
(4) the right of the agency to require sublicensing and to revoke the license if there are antitrust problems.

E. Title V—Miscellaneous

Section 501—Definitions

This section defines "Federal agency", "contract", "contractor", "invention", "subject invention", "practical application", "person", "made" (in relation to an invention), "antitrust law", "small business firm", and "nonprofit organization". The last two of these definitions are identical in substance to the definitions of "small business firm" and "nonprofit organization" given in Public Law 96-517.

Section 502—Relationship to other laws

This Act provides no immunity from antitrust law.

Section 503—Identified acts amended

The intent of this section is to repeal all existing law specifying patent policies for Federal agencies, so that there will be a single law, this Act, giving uniform Federal patent policy. Portions of sixteen existing laws are amended or repealed by this Act.

By Committee amendment, regulations implementing Public Law 96-517 are to continue in force until regulations implementing this Act have taken effect. This is to insure that there will not be a time when there are no regulations concerning Federal patent policy for small businesses and universities.

Section 504—Effective date

The Act shall take effect six months after the month it is signed.

IV. IMPACT ON INFLATION

In accordance with Clause 2(1)(4), Rule XI, of the Rules of the House of Representatives the following statement is made concerning the inflationary impact of H.R. 4564.

H.R. 4564 is assessed to have no adverse inflationary effect on prices and costs in the operation of the national economy.

V. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

Pursuant to Clause 2(1)(3), Rule XI, of the Rules of the House of Representatives, and under the authority of Clause 2(b)(1) and Clause 3(f), Rule X, results and findings of Committee oversight activities regarding Federal patent policy are incorporated in the recommendations found in the present bill and report.

VI. SUMMARY OF GOVERNMENT OPERATIONS COMMITTEE FINDINGS AND RECOMMENDATIONS

No findings and recommendations on oversight activity pursuant to Clause 2(b)(2), Rule X, and Clause 2(1)(3), Rule XI, of the Rules of the House of Representatives have been submitted by the Committee on Government Operations for inclusion in this report.

VII. BUDGET ANALYSIS AND PROJECTION

H.R. 4564 provides no new budget authority or tax expenditures. Consequently, the provisions of section 308(a) of the Congressional Budget Act are not applicable.

VIII. CONGRESSIONAL BUDGET OFFICE ESTIMATES AND COMPARISONS

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., December 7, 1981.

Hon. DON FUQUA,
Chairman, Committee on Science and Technology, 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 reviewed H.R. 4564, the Uniform Federal Research and Development Act of 1981, as ordered reported by the House Committee on Science and Technology, November 17, 1981.

H.R. 4564 would make a number of changes in federal policy regarding the allocation of rights to inventions resulting from federally sponsored research and development (R&D). The bill outlines the rights and responsibilities of federal agencies regarding the management and use of federally sponsored R&D, as well as the rights of contractors. It also specifies licensing procedures of federally owned inventions. While a number of provisions may result in small costs or savings (as described below), in sum it is expected that no significant budget impact would result from enactment of this bill.

The Federal Coordinating Council for Science, Engineering, and Technology (Council) is authorized in Title II to collect and analyze data, and to make recommendations to the Office of Science and Technology Policy (OSTP) regarding the policies, regulations, and implementation of this bill. Based on information from the OSTP, the Council is currently preparing a planning document outlining future goals. While patent issues had previously been reported on by the Council, and therefore would not be a new area of consideration, they would not necessarily have been a topic for the new agenda. Should H.R. 4564 be enacted, however, the Council would have the flexibility and topical committees available to carry out the requirements of H.R. 4564. As a result, it is expected that no additional cost to the federal government would be incurred as a result of title II.

Title III lists separately the rights of federal agencies, as well as the rights of contractors, as they apply to inventions developed as a result of federal R&D. While the purpose of the bill as indicated in Title I is to encourage invention and to promote the commercial use of new technology resulting from federally sponsored R&D, the balancing of rights between federal agencies and contractors is likely to require clarification. Section 301, which specifies the rights of the government, would allow federal agencies to retain title to inventions if it "is necessary to protect the national security nature of such activities," or because it "is necessary to assure the

adequate protection of the public health, safety or welfare." It is assumed that initially, perhaps within the first several years, such broadly defined exemptions will prompt additional appeals and/or litigation by federal agencies to define the rights of each party. Thereafter, a reduced workload is anticipated.

Section 305 requires that the General Services Administration, the National Aeronautics and Space Administration, and the Department of Defense issue uniform regulations for the allocation of property rights in subject inventions. Based on the resources required to develop similar regulations by the Office of Federal Procurement Policy, it is estimated that approximately one work-year plus clerical and other administrative expenses, totalling approximately $75,000 in fiscal year 1982, would be required, although no funds are authorized for this purpose in the bill.

Section 306 would allow (but not require) any person, including third parties, to petition the United States Court of Customs and Patent Appeals if adversely affected by an agency determination. Since this bill is substantially different from current law over the last 20 years, it is expected that the caseload of the court would increase slightly as a result of this provision, particularly by public interest groups or contractors. According to officials at the court, no additional personnel would be required. Rather, the appeal processing time would be lengthened, although it is likely that the impact would not be significant.

H.R. 4564 would require, under certain circumstances, that contractors share royalties with the federal government. The bill requires that payments from the contractors shall not exceed the amount of government funds expended under the contract. Certain administrative costs, including staff time, travel, and computer services, are likely to be incurred in the process of determining and collecting these royalties. Although it cannot be precisely determined, the net budget impact is expected to result in additional receipts to the federal government. While the bill does not specify the use of these receipts, it is assumed that they would be transferred by the Department of Commerce, which is responsible for collections, to the general fund of the Treasury.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

RAYMOND SCHEPPACH,
(For Alice M. Rivlin, Director.)

IX. ADMINISTRATION POSITION

At hearings held by the committee on the bill, H.R. 4564, several Administration witnesses, representing the Executive Office of the President and the Department of Commerce, supported the bill. Their testimony appears in the hearings record, and is summarized in the "Issues Involved in H.R. 4564" section of this report.

X. COMMITTEE RECOMMENDATION

A quorum being present, the committee ordered the bill favorably reported by voice vote of those present on November 17, 1981.

XI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 205 OF THE ACT OF AUGUST 14, 1946

AN ACT To provide for further research into basic laws and principles relating to agriculture and to improve and facilitate the marketing and distribution of agricultural products

* * * * * * *

SEC. 205. (a) In carrying out the provisions of title II of this Act, the Secretry of Agriculture may cooperate with other branches of the Government, State agencies, private research organizations, purchasing and consuming organizations, boards of trade, chambers of commerce, othr associations of business or trade organizations, transportation and storage agencies and organizations, or other persons or corporations engaged in the production, transportation, storing, processing, marketing, and distribution of agricultural products whether operating in one or more jurisdictions. The Secretary of Agriculture shall have authority to enter into contracts and agreements under the terms of regulations promulgated by him with States and agencies of States, private firms, institutions, and individuals for the purpose of conducting research and service work, making and compiling reports and surveys, and carrying out other functions relating thereto when in his judgment the services or functions to be performed will be carried out more effectively, more rapidly, or at less cost than if performed by the Department of Agriculture. Contracts hereunder may be made for work to be performed within a period not more than four years from the date of any such contract, and advance, progress, or other payments may be made. The provisions of section 3648 (31 U.S.C., sec. 529) and section 3709 (41 U.S.C., sec. 5) of the Revised Statutes shall not be applicable to contracts or agreements made under the authority of this section. Any unexpended balances of appropriations obligated by contracts as authorized by this section may, notwithstanding the provisions of section 5 of the Act of June 20, 1874, as amended (31 U.S.C., sec. 713), remain upon the books of the Treasury for not more than five fiscal years before being carried to the surplus fund and covered into the Treasury. [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.]

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SECTION 501 OF THE FEDERAL MINE SAFETY AND HEALTH ACT OF 1977

TITLE V—ADMINISTRATION

RESEARCH

SEC. 501. (a) * * *

* * * * * * *

(c) In carrying out the provisions for research, demonstrations, experiments, studies, training, and education under this section and sections 301(b) and 502(a) of this Act, the Secretary of the Interior and the Secretary of Health, Education, and Welfare in coordination with the Secretary may enter into contracts with, and make grants to, public and private agencies and organizations and individuals. [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.]

* * * * * * *

SECTION 106 OF THE NATIONAL TRAFFIC AND MOTOR VEHICLE SAFETY ACT OF 1966

SEC. 106. (a) The Secretary shall conduct research, testing, development, and training necessary to carry out the purposes of this title, including, but not limited to—

(1) * * *

* * * * * * *

[(c) Whenever the Federal contribution for any research or development activity authorized by this Act encouraging motor vehicle safety is more than minimal, the Secretary shall include in any contract, grant, or other arrangement for such research or development activity, provisions effective to insure that all information, uses, processes, patents, and other developments resulting from that activity will be made freely and fully available to the general public. Nothing herein shall be construed to deprive the owner of

any background patent of any right which he may have thereunder.]

SECTION 12 OF THE NATIONAL SCIENCE FOUNDATION ACT OF 1950

[PATENT RIGHTS

[SEC. 12. (a) Each contract or other arrangement executed pursuant to this Act which relates to scientific research shall contain provisions governing the disposition of inventions produced thereunder in a manner calculated to protect the public interest and the equities of the individual or organization with which the contract or other arrangement is executed: *Provided, however,* That nothing in this Act shall be construed to authorize the Foundation to enter into any contractual or other arrangement inconsistent with any provision of law affecting the issuance or use of patents.

[(b) No officer or employee of the Foundation shall acquire, retain, or transfer any rights, under the patent laws of the United States or otherwise, in any invention which he may make or produce in connection with performing his assigned activities and which is directly related to the subject matter thereof: *Provided, however,* That this subsection shall not be construed to prevent any officer or employee of the Foundation from executing any application for patent on any such invention for the purpose of assigning the same to the Government or its nominee in accordance with such rules and regulations as the Director may establish.]

SECTION 152 OF THE ATOMIC ENERGY ACT OF 1954

CHAPTER 13. PATENTS AND INVENTIONS

* * * * * * *

[SEC. 152. INVENTIONS MADE OR CONCEIVED DURING COMMISSION CONTRACTS.—Any invention or discovery, useful in the production or utilization of special nuclear material or atomic energy, made or conceived in the course of or under any contract, subcontract, or arrangement entered into with or for the benefit of the Commission, regardless of whether the contract, subcontract, or arrangement involved the expenditure of funds by the Commission, shall be vested in, and be the property of, the Commission, except that the Commission may waive its claim to any such invention or discovery under such circumstances as the Commission may deem appropriate, consistent with the policy of this section. No patent for any invention or discovery, useful in the production or utilization of special nuclear material or atomic energy, shall be issued unless the applicant files with the application, or within 30 days after request therefor by the Commissioner of Patents (unless the Commission advises the Commissioner of Patents that its rights have been determined and that accordingly no statement is necessary) a statement under oath setting forth the full facts surrounding the making or conception of the invention or discovery described in the application and whether the invention or discovery was made or conceived in the course of or under any contract,

subcontract, or arrangement entered into with or for the benefit of the Commission, regardless of whether the contract, subcontract, or arrangement involved the expenditure of funds by the Commission. The Commissioner of Patents shall as soon as the application is otherwise in condition for allowance forward copies of the application and the statement to the Commission.

[The Commissioner of Patents may proceed with the application and issue the patent to the applicant (if the invention or discovery is otherwise patentable) unless the Commission, within 90 days after receipt of copies of the application and statement, directs the Commissioner of Patents to issue the patent to the Commission (if the invention or discovery is otherwise patentable) to be held by the Commission as the agent of and on behalf of the United States.

[If the Commission files such a direction with the Commissioner of Patents, and if the applicant's statement claims, and the applicant still believes, that the invention or discovery was not made or conceived in the course of or under any contact, subcontract or arrangement entered into with or for the benefit of the Commission entitling the Commission to the title to the application or the patent the applicant may, within 30 days after notification of the filing of such a direction, request a hearing before a Board of Patent Interferences. The Board shall have the power to hear and determine whether the Commission was entitled to the direction filed with the Commissioner of Patents. The Board shall follow the rules and procedures established for interference cases and an appeal may be taken by either the applicant or the Commission from the final order of the Board to the Court of Customs and Patent Appeals in accordance with the procedures governing the appeals from the Board of Patent Interferences.

[If the statement filed by the applicant should thereafter be found to contain false material statements any notification by the Commission that it has no objections to the issuance of a patent to the applicant shall not be deemed in any respect to constitute a waiver of the provisions of this section or of any applicable civil or criminal statute, and the Commission may have the title to the patent transferred to the Commission on the records of the Commissioner of Patents in accordance with the provisions of this section. A determination of rights by the Commission pursuant to a contractual provision or other arrangement prior to the request of the Commissioner of Patents for the statement, shall be final in the absence of false material statements or nondisclosure of material facts by the applicant.]

NATIONAL AERONAUTICS AND SPACE ACT OF 1958

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TITLE II—COORDINATION OF AERONAUTICAL AND SPACE ACTIVITIES

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FUNCTIONS OF THE ADMINISTRATION

SEC. 203. (a) The Administration, in order to carry out the purpose of this Act, shall—

(1) * * *

* * * * * * *

(3) to acquire (by purchase, lease, condemnation, or otherwise), construct, improve, repair, operate, and maintain laboratories, research and testing sites and facilities, aeronautical and space vehicles, quarters and related accommodations for employees and dependents of employees of the Administration, and such other real and personal property (including patents), or any interest therein, as the Administration deems necessary within and outside the continental United States; to acquire by lease or otherwise, through the Administrator of General Services, buildings or parts of buildings in the District of Columbia for the use of the Administration for a period not to exceed ten years without regard to the Act of March 3, 1877 (40 U.S.C. 34); to lease to others such real and personal property; to sell and otherwise dispose of real and personal property [(including patents and rights thereunder)] in accordance with the provisions of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 471 et seq.); and to provide by contract or otherwise for cafeterias and other necessary facilities for the welfare of employees of the Administration at its installations and purchase and maintain equipment therefor;

* * * * * * *

(c) In the performance of its functions the Administration is authorized

(1) * * *

* * * * * * *

(13) (A) to consider, ascertain, adjust, determine, settle, and pay, on behalf of the United States, in full satisfaction thereof, any claim for $5,000 or less against the United States for bodily injury, death, or damage to or loss of real or personal property resulting from the conduct of the Administration's functions as specified in subsection (a) of this section, where such claim is presented to the Administration in writing within two years after the accident or incident out of which the claim arises; and

(B) if the Administration considers that a claim in excess of $5,000 is meritorious and would otherwise be covered by this paragraph, to report the facts and circumstances thereof to the Congress for its consideration [.];

(14) to provide effective contractual provisions for the reporting of the results of the activities of the Administration, includ-

ing full and complete technical reporting of any innovation made in the course of or under any contract of the Administration.

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

* * * * * * *

TITLE III—MISCELLANEOUS

* * * * * * *

[PROPERTY RIGHTS IN INVENTIONS

[SEC. 305. (a) Whenever any invention is made in the performance of any work under any contract of the Administration, and the Administrator determines that—

[(1) the person who made the invention was employed or assigned to perform research, development, or exploration work and the invention is related to the work he was employed or assigned to perform, or that it was within the scope of his employment duties, whether or not it was made during working hours, or with a contribution by the Government of the use of Government facilities, equipment, materials, allocated funds, information proprietary to the Government, or services of Government employees during working hours; or

[(2) the person who made the invention was not employed or assigned to perform research, development, or exploration work, but the invention is nevertheless related to the contract, or to the work or duties he was employed or assigned to perform, and was made during working hours, or with a contribution from the Government of the sort referred to in clause (1),

such invention shall be the exclusive property of the United States, and if such invention is patentable a patent therefor shall be issued to the United States upon application made by the Administrator, unless the Administrator waives all or any part of the rights of the United States to such invention in conformity with the provisions of subsection (f) of this section.

[(b) Each contract entered into by the Administrator with any party for the performance of any work shall contain effective provisions under which such party shall furnish promptly to the Administrator a written report containing full and complete technical information concerning any invention, discovery, improvement, or innovation which may be made in the performance of any such work.

[(c) No patent may be issued to any applicant other than the Administrator for any invention which appears to the Commissioner of Patents and Trademarks to have significant utility in the conduct of aeronautical and space activities unless the applicant files with the Commissioner, with the application or within thirty days after request therefor by the Commissioner, a written statement executed under oath setting forth the full facts concerning

the circumstances under which such invention was made and stating the relationship (if any) of such invention to the performance of any work under any contract of the Administration. Copies of each such statement and the application to which it relates shall be transmitted forthwith by the Commissioner to the Administrator.

[(d) Upon any application as to which any such statement has been transmitted to the Administrator, the Commissioner may, if the invention is patentable, issue a patent to the applicant unless the Administrator, within ninety days after receipt of such application and statement, requests that such patent be issued to him on behalf of the United States. If, within such time, the Administrator files such a request with the Commissioner, the Commissioner shall transmit notice thereof to the applicant, and shall issue such patent to the Administrator unless the applicant within thirty days after receipt of such notice requests a hearing before a Board of Patent Interferences on the question whether the Administrator is entitled under this section to receive such patent. The Board may hear and determine, in accordance with rules and procedures established for interference cases, the question so presented, and its determination shall be subject to appeal by the applicant or by the Administrator to the Court of Customs and Patent Appeals in accordance with procedures governing appeals from decisions of the Board of Patent Interferences in other proceedings.

[(e) Whenever any patent has been issued to any applicant in conformity with subsection (d), and the Administrator thereafter has reason to believe that the statement filed by the applicant in connection therewith contained any false representation of any material fact, the Administrator within five years after the date of issuance of such patent may file with the Commissioner a request for the transfer to the Administrator of title to such patent on the records of the Commissioner. Notice of any such request shall be transmitted by the Commissioner to the owner of record of such patent, and title to such patent shall be so transferred to the Administrator unless within thirty days after receipt of such notice such owner of record requests a hearing before a Board of Patent Interferences on the question whether any such false representation was contained in such statement. Such question shall be heard and determined, and determination thereof shall be subject to review, in the manner prescribed by subsection (d) for questions arising thereunder. No request made by the Administrator under this subsection for the transfer of title to any patent, and no prosecution for the violation of any criminal statute, shall be barred by any failure of the Administrator to make a request under subsection (d) for the issuance of such patent to him, or by any notice previously given by the Administrator stating that he had no objection to the issuance of such patent to the applicant therefor.

[(f) Under such regulations in conformity with this subsection as the Administrator shall prescribe, he may waive all or any part of the rights of the United States under this section with respect to any invention or class of inventions made or which may be made by any person or class of persons in the performance of any work required by any contract of the Administration if the Administrator determines that the interests of the United States will be

served thereby. Any such waiver may be made upon such terms and under such conditions as the Administrator shall determine to be required for the protection of the interests of the United States. Each such waiver made with respect to any invention shall be subject to the reservation by the Administrator of an irrevocable, nonexclusive, nontransferrable, royalty-free license for the practice of such invention throughout the world by or on behalf of the United States or any foreign government pursuant to any treaty or agreement with the United States. Each proposal for any waiver under this subsection shall be referred to an Inventions and Contributions Board which shall be established by the Administrator within the Administration. Such Board shall accord to each interested party an opportunity for hearing, and shall transmit to the Administrator its findings of fact with respect to such proposal and its recommendations for action to be taken with respect thereto.

[(h) The Administrator is authorized to take all suitable and necessary steps to protect any invention or discovery to which he has title, and to require that contractors or persons who retain title to inventions or discoveries under this section protect the inventions or discoveries to which the Administration has or may acquire a license of use.

[(i) The Administration shall be considered a defense agency of the United States for the purpose of chapter 17 of title 35 of the United States Code.

[(j) As used in this section—

[(1) the term "person" means any individual, partnership, corporation, association, institution, or other entity;

[(2) the term "contract" means any actual or proposed contract, agreement, understanding, or other arrangement, and includes any assignment, substitution of parties, or subcontract executed or entered into thereunder; and

[(3) the term "made", when used in relation to any invention, means the conception or first actual reduction to practice of such invention.]

CONTRIBUTIONS AWARDS

SEC. 306. (a) Subject to the provisions of this section the Administrator is authorized, upon his own initiative or upon application of any person, to make a monetary award, in such amount and upon such terms as he shall determine to be warranted, to any person [(as defined by section 305)] for any scientific or technical contribution to the Administration which is determined by the Administrator to have significant value in the conduct of aeronautical and space activities. Each application made for any such award shall be referred to [the Inventions and Contributions Board established under section 305 of this Act] *an Inventions and Contributions Board which shall be established by the Administrator within the Administration.* Such Board shall accord to each such applicant an opportunity for hearing upon such application, and shall transmit to the Administrator its recommendation as to the terms of the award, if any, to be made to such applicant for such contribution. In determining the terms and conditions of any award the Administrator shall take into account—

(1) the value of the contribution to the United States;

(2) the aggregate amount of any sums which have been expended by the applicant for the development of such contribution;

(3) the amount of any compensation (other than salary received for services rendered as an officer or employee of the Government) previously received by the applicant for or on account of the use of such contribution by the United States; and

(4) such other factors as the Administrator shall determine to be material.

* * * * * * *

SECTION 6 OF THE ACT OF JULY 7, 1960

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

* * * * * * *

[SEC. 6. No research 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 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. Whenever in the estimation of the Secretary the purposes of this Act would be furthered through the use of patented processes or equipment, the Secretary is authorized to enter into such agreements as he deems necessary for the acquisition or use of such patents on reasonable terms and conditions.]

SECTION 4 OF THE HELIUM ACT

SEC. 4. The Secretary is authorized to maintain and operate helium production and purification plants together with facilities and accessories thereto; to acquire, store, transport, sell, and conserve helium, helium-bearing natural gas, and helium-gas mixtures, to conduct exploration for and production of helium on and from the lands acquired, leased, or reserved; and to conduct or contract with public or private parties for experimentation and research to discover helium supplies and to improve processes and methods of helium production, purification, transportation, liquefaction, storage, and utilization[: *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 constructed, as to deprive

the owner of any background patent relating thereto to such rights as he may have thereunder].

SECTION 32 OF THE ARMS CONTROL AND DISARMAMENT ACT

[PATENTS

[SEC. 32. All research within the United States contracted for, sponsored, cosponsored, or authorized under authority of this Act, shall be provided for in such manner that all information as to 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 Director may find to be necessary in the public interest) be available to the general public. This subsection shall not be so construed as to deprive the owner of any background patent relating thereto of such rights as he may have thereunder.]

SECTION 302 OF THE APPALACHIAN REGIONAL DEVELOPMENT ACT OF 1965

GRANTS FOR ADMINISTRATIVE EXPENSES OF LOCAL DEVELOPMENT DISTRICTS AND FOR RESEARCH AND DEMONSTRATION PROJECTS

SEC. 302. (a) * * *

* * * * * * *

[(e) No part of any appropriated funds may be expended pursuant to authorization given by this Act involving any scientific or technological research or development activity unless such expenditure is conditioned upon provisions effective to insure that all information, copyrights, use, processes, patents, and other developments resulting from that activity will be made freely available to the general public. Nothing contained in this subsection shall deprive the owner of any background patent relating to any such activity, without his consent, of any right which that owner may have under that patent. Whenever any information, copyright, use, process, patent or development resulting from any such research or development activity conducted in whole or in part with appropriated funds expended under authorization of this Act is withheld or disposed of by any person, organization, or agency in contravention of the provisions of this subsection, the Attorney General shall institute, upon his own motion or upon request made by any person having knowledge of pertinent facts, an action for the enforcement of the provisions of this subsection in the district court of the United States for any judicial district in which any defendant resides, is found, or has a place of business. Such court shall have jurisdiction to hear and determine such action, and to enter therein such orders and decrees as it shall determine to be required to carry into effect fully the provisions of this subsection. Process of the district court for any judicial district in any action instituted under this subsection may be served in any other judicial district of the United States by the United States marshal thereof. Whenever it appears to the court in which any such action is

pending that other parties should be brought before the court in such action, the court may cause such other parties to be summoned from any judicial district of the United States.]

SECTION 9 OF THE FEDERAL NONNUCLEAR ENERGY RESEARCH AND DEVELOPMENT ACT OF 1974

PATENT POLICY

SEC. 9. [(a) Whenever any invention is made or conceived in the course of or under any contract of the Administration, other than nuclear energy research, development, and demonstration pursuant to the Atomic Energy Act of 1954 (42 U.S.C. 2011 et seq.) and the Administrator determines that—

[(1) the person who made the invention was employed or assigned to perform research, development, or demonstration work and the invention is related to the work he was employed or assigned to perform, or that it was within the scope of his employment duties, whether or not it was made during working hours, or with a contribution by the Government of the use of Government facilities, equipment, materials, allocated funds, information proprietary to the Government, or services of Government employees during working hours; or

[(2) the person who made the invention was not employed or assigned to perform research, development, or demonstration work, but the invention is nevertheless related to the contract or to the work or duties he was employed or assigned to perform, and was made during working hours, or with a contribution from the Government of the sort referred to in clause (1);

title to such invention shall vest in the United States, and if patents on such invention are issued they shall be issued to the United States, unless in particular circumstances the Administrator waives all or any part of the rights of the United States to such invention in conformity with the provisions of this section.

[(b) Each contract entered into by the Administration with any person shall contain effective provisions under which such person shall furnish promptly to the Administration a written report containing full and complete technical information concerning any invention, discovery, improvement, or innovation which may be made in the course of or under such contract.

[(c) Under such regulations in conformity with the provisions of this section as the Administrator shall prescribe, the Administrator may waive all or any part of the rights of the United States under this section with respect to any invention or class of inventions made or which may be made by any person or class of persons in the course of or under any contract of the Administration if he determines that the interests of the United States and the general public will best be served by such waiver. The Administration shall maintain a publicly available, periodically updated record of waiver determinations. In making such determinations, the Administrator shall have the following objectives:

[(1) Making the benefits of the energy research, development, and demonstration program widely available to the public in the shortest practicable time.

[(2) Promoting the commercial utilization of such inventions.

[(3) Encouraging participation by private persons in the Administration's energy research, development, and demonstration program.

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

[(d) In determining whether a waiver to the contractor at the time of contracting will best serve the interests of the United States and the general public, the Administrator shall specifically include as considerations—

[(1) the extent to which the participation of the contractor will expedite the attainment of the purposes of the program;

[(2) the extent to which a waiver of all or any part of such rights in any or all fields of technology is needed to secure the participation of the particular contractor;

[(3) the extent to which the contractor's commercial position may expedite utilization of the research, development, and demonstration program results;

[(4) the extent to which the Government has contributed to the field of technology to be funded under the contract;

[(5) the purpose and nature of the contract, including the intended use of the results developed thereunder;

[(6) the extent to which the contractor has made or will make substantial investment of financial resources or technology developed at the contractor's private expense which will directly benefit the work to be performed under the contract;

[(7) the extent to which the field of technology to be funded under the contract has been developed at the contractor's private expense;

[(8) the extent to which the Government intends to further develop to the point of commercial utilization the results of the contract effort;

[(9) the extent to which the contract objectives are concerned with the public health, public safety, or public welfare;

[(10) the likely effect of the waiver on competition and market concentration; and

[(11) in the case of a nonprofit educational institution, the extent to which such institution has a technology transfer capability and program, approved by the Administrator as being consistent with the applicable policies of this section.

[(e) In determining whether a waiver to the contractor or inventor of rights to an identified invention will best serve the interests of the United States and the general public, the Administrator shall specifically include as considerations paragraphs (4) through (11) of subsection (d) as applied to the invention and—

[(1) the extent to which such waiver is a reasonable and necessary incentive to call forth private risk capital for the development and commercialization of the invention; and

[(2) the extent to which the plans, intentions, and ability of the contractor or inventor will obtain expeditious commercialization of such invention.

[(f) Whenever title to an invention is vested in the United States, there may be reserved to the contractor or inventor—

[(1) a revocable or irrevocable nonexclusive, paid-up license for the practice of the invention throughout the world; and

[(2) the rights to such invention in any foreign country where the United States has elected not to secure patent rights and the contractor elects to do so, subject to the rights set forth in paragraphs (2), (3), (6), and (7) of subsection (h): *Provided,* That when specifically requested by the Administration and three years after issuance of such a patent, the contract shall submit the report specified in subsection (h)(1) of this section.

[(j) The Administrator shall, in granting waivers or licenses, consider the small business status of the applicant.

[(k) The Administrator is authorized to take all suitable and necessary steps to protect any invention or discovery to which the United States holds title, and to require that contractors or persons who acquire rights to inventions under this section protect such inventions.]

(l) The Administration shall be considered a defense agency of the United States for the purpose of chapter 17 of title 35 of the United States Code.

[(m) As used in this section—

[(1) the term "person" means any individual, partnership, corporation, association, institution, or other entity;

[(2) the term "contract" means any contract, grant, agreement, understanding, or other arrangement, which includes research, development, or demonstration work, and includes any assignment, substitution of parties, or subcontract executed or entered into thereunder;

[(3) the term "made", when used in relation to any invention means the conception or first actual reduction to practice of such invention;

[(4) the term "invention" means inventions or discoveries, whether patented or unpatented; and

[(5) the term "contractor" means any person having a contract with or on behalf of the Administration.

[(n) Within twelve months after the date of the enactment of this Act, the Administrator with the participation of the Attorney General, the Secretary of Commerce, and other officials as the President may designate, shall submit to the President and the appropriate congressional committees a report concerning the applicability of existing patent policies affecting the programs under this Act, along with his recommendations for amendments or additions to the statutory patent policy, including his recommendations

on mandatory licensing, which he deems advisable for carrying out the purposes of this Act.]

SECTION 5 OF THE CONSUMER PRODUCT SAFETY ACT

PRODUCT SAFETY INFORMATION AND RESEARCH

Sec. 5. (a) * * *

* * * * * * *

[(d) Whenever the Federal contribution for any information, research, or development activity authorized by this Act is more than minimal, the Commission shall include in any contract, grant, or other arrangement for such activity, provisions effective to insure that the rights to all information, uses, processes, patents, and other developments resulting from that activity will be made available to the public without charge on a nonexclusive basis. Nothing in this subsection shall be construed to deprive any person of any right which he may have had, prior to entering into any arrangement referred to in this subsection, to any patent, patent application, or invention.]

SECTION 3 OF THE ACT OF APRIL 5, 1944

AN ACT Authorizing the construction and operation of demonstration plants to produce synthetic liquid fuels from coal, oil shales, agricultural and forestry products, and other substances, in order to aid the prosecution of the war, to conserve and increase the oil resources of the Nation, and for other purposes

* * * * * * *

[Sec 3. The Secretary of the Interior is authorized to grant, on such terms as he may consider appropriate but subject to section 207 of the Federal Property and Administrative Services Act of 1949, licenses under patent rights acquired under this Act: *Provided,* That such licenses are consistent with the terms of the agreements by which such patent rights are acquired. No patent acquired by the Secretary of the Interior under this Act shall prevent any citizen of the United States, or corporation created under the laws of the United States or any State thereof, from using any invention, discovery, or process covered by such patent, or restrict such use by any such citizen or corporation, or be the basis of any claim against any such person or corporation on account of such use.]

SECTION 8001 OF THE SOLID WASTE DISPOSAL ACT

RESEARCH, DEMONSTRATIONS, TRAINING, AND OTHER ACTIVITIES

Sec. 8001. (a) General Authority. * * *

* * * * * * *

(c) Authorities.—(1) In carrying out subsection (a) of this section respecting solid waste research, studies, development, and demonstration, except as otherwise specifically provided in section

8004(d), the Administrator may make grants to or enter into contracts (including contracts for construction) with, public agencies and authorities or private persons.

(2) Contracts for research, development, or demonstrations or for both (including contracts for construction) shall be made in accordance with and subject to the limitations provided with respect to research contracts of the military departments in title 10, United States Code, section 2353, except that the determination, approval, and certification required thereby shall be made by the Administrator.

[(3) Any invention made or conceived in the course of, or under, any contract under this Act shall be subject to section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 to the same extent and in the same manner as inventions made or conceived in the course of contracts under such Act, except that in applying such section, the Environmental Protection Agency shall be subsituted for the Energy Research and Development Administration and the words "solid waste" shall be substituted for the word "energy" where appropriate.]

(4) For carrying out the purpose of this Act the Administrator may detail personnel of the Environmental Protection Agency to agencies eligible for assistance under this section.

TITLE 35, UNITED STATES CODE

* * * * * * *

PART IV—PATENT COOPERATION TREATY

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

[Sec.
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[§ 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 insection 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 ageement 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 agreements 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 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.

[(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 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 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 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 circum-

stances, 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 contactor 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 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 estab-

lish 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 appropiate 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 excecuting 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 rights 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 regulation 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 allow such persons to retain ownership of inventions. Any disposition of rights in inventions made in accordance with the Statement of 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 of 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.]

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SECTION 6 OF THE STEVENSON-WYDLER TECHNOLOGY INNOVATION ACT OF 1980

SEC. 6. CENTERS FOR INDUSTRIAL TECHNOLOGY.

(a) ESTABLISHMENT.—* * *

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[(e) RESEARCH AND DEVELOPMENT UTILIZATION.—(1) To promote technological innovation and commercialization of research and development efforts, each Center has the option of acquiring title to any invention conceived or made under the auspices of the Center that was supported at least in part by Federal funds: *Provided,* That—

[(A) the Center reports the invention to the supporting agency together with a list of each country in which the Center elects to file a patent application on the invention;

[(B) said option shall be exercised at the time of disclosure of invention or within such time thereafter as may be provided in the grant or cooperative agreement;

[(C) the Center intends to promote the commercialization of the invention and file a United States patent application;

[(D) royalties be used for compensation of the inventor or for educational or research activities of the Center;

[(E) the Center make periodic reports to the supporting agency, and the supporting agency may treat information contained in such reports as privileged and confidential technical, commercial, and financial information and not subject to disclosures under the Freedom of Information Act; and

[(F) any Federal department or agency shall have the royalty-free right to practice, or have practiced on its behalf, the invention for governmental purposes.

The supporting agency shall have the right to acquire title to any patent on an invention in any country in which the Center elects not to file a patent application or fails to file within a reasonable time.

[(2) Where a Center has retained title to an invention under paragraph (1) of this subsection the supporting agency shall have the right to require the Center or its licensee to grant a nonexclusive, partially exclusive, or exclusive license to a responsible applicant or applicants, upon terms that are reasonsble under the circumstances, if the supporting agency determines, after public notice and opportunity for hearing, that such action is necessary—

[(A) because the Center or licensee has not taken and is not expected to take timely and effective action to achieve practical application of the invention;

[(B) to meet health, safety, environmental, or national security needs which are not reasonably satisfied by the contractor or licensee; or

[(C) because the granting of exclusive rights in the invention has tended substantially to lessen competition or to result in undue market concentration in the United States in any line of commerce to which technology relates.]

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XII. ADDITIONAL VIEWS

I strongly believe that this Committee should have deleted the language of the proviso to Section 307(a) of this Bill. This language is inherently vague and will result in needless litigation. While I continue to support the goals of the Bill, I have grave reservations concerning the inclusion of this language.

The proviso to Section 307(a) permits a contractor's payment to exceed the amount of Government funds expended under the contract when the amount of the contract entered into by the Governmental agency and the contractor so provides and extraordinary circumstances exist. The assent of the parties is not determinative of the amount that may be recovered under the contract, because if, at the inception of the contract, extraordinary circumstances are not in existence, the parties are prohibited from agreeing to an amount in excess of the Governmental funds to be expended. The parties are therefore, placed in the untenable position, at the time of the contract negotiations, of deciding whether extraordinary circumstances exist. Even if extraordinary circumstances are found to exist, which undoubtedly will involve litigation, the contractor, by delaying the execution of the contract with the Governmental agency until after the existence of the extraordinary circumstance, could avoid possible liability.

The greatest omission of the proviso is its failure to provide guidance as to what constitutes an extraordinary circumstance. The authors of the regulations, to be promulgated under the proviso, will not be able, therefore, to discern what Congress intended an extraordinary circumstance to be. The courts will not only be forced to review a contract's compliance with the regulations, but also the regulation's adherence to this undefined concept. Congress should not relinquish its legislative responsibilities to the courts and the bureaucrats.

F. JAMES SENSENBRENNER, Jr.
LARRY WINN, Jr.
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