NASA

National Aeronautics and Space Administration

Washington, D.C. 20546

Comments to Maxwell by

R 2-8/21,3

Reply to Attn of: C

September 18, 1981

Mr. James M. Frey
Assistant Director
for Legislative Reference
Office of Mangement and Budget
Washington, D.C. 20503

Dear Mr. Frey:

This reponds to Mr. Robert E. Carlstrom's memorandum of September 14, 1981, requesting the views of the National Aeronautics and Space Administration on a Congressional Draft bill entitled "Uniform Science and Technology Research and Development Utilization Act." An important asspect of the draft bill is the establishment of a uniform, Government-wide approach for the disposition of rights to inventions made under Government-funded contracts, grants, and cooperative agreements, with emphasis on expeditious commercial utilization of such inventions.

NASA has over the years viewed its patent program as an integral part of broader overall efforts to stimulate the creation and identification of new technology in its programs and to foster the widest practical dissemination, utilization, and transfer of this new technology in commercial applications. Based on this, NASA's experience has been that the probability of transfer and commercial use of technlogy is enhanced when principal rights (title) are available to the innovative source--in this instance, the contractor or grantee--and therefore has in the past supported such an approach as long as the Government retains certain rights (commonly referred to as "march-in" rights) to assure that the invention will not be suppressed, and that the invention will be reasonably available to serve public health and safety needs and Government regulatory requirements.

NASA accordingly supports the thrust of Title III of the Draft Bill. This would provide a contractor, in most situations, the first option to retain title to inventions made under Federally-funded research and development contracts, grants and cooperative agreements, subject to march-in rights and a license for Governmental purposes. There are limited situations where the Government could acquire title at the time of contracting, with additional flexibility to subsequently waive title to the

contractor. Also, the Government would obtain title to any invention for which the contractor does not exercise the option to retain title.

Overall, this approach should, based on NASA's experience, enhance the commercial utilization of Government-funded technology while protecting the Government and the public interests. NASA does, however, have several technical comments which are subsequently discussed in detail. Also, the need for section 307 of Title III, which provides for Government-wide licensing authority, is questioned in that similar authority now exists as the result of the enactment of P.L. 96-517 and favorable implementing regulations are being developed.

NASA has strong reservations regarding Title II of the Draft Bill, which in effect establishes the Department of Commerce as lead agency, to preform certain policy and operational functions regarding the management of another agency's patent program. While there is no objection to cooperating and coordinating with a nonoperating agency--preferably through interagency committees or working groups--such as the Office of Science and Technology Policy and/or Office of Federal Procurement Policy for the purposes of developing uniform policies, there is grave concern over the prospect of <u>any</u> operating agency assuming policy or line operational functions such as coordinating, directing and reviewing the implementation and administration of another agency's program that is interrelated with an agency's missions as well as its procurement policies and practices.

Also, with respect to section 201(b)(4), NASA does not understand the need for, and the practical effect of, one agency determining with administrative finality a dispute another agency may have with an actual or prospective contractor, particularly when such matters may also be subject to the Administrative Procedures Act, the Contract Disputes Act, or a Protest to the General Accounting Office.

It is also noted that section 401(g) abolishes a very important authority of the NASA Administrator--that of making monetary awards for scientific and technical contributions which have significant value in the conduct of aeronautical and space activities. Such awards are not limited to "inventions" as defined in section 103. However, both NASA employees and contract employees who make inventions are recognized under this authority. Since this authority has no direct bearing on either Title II or Title III of the proposed bill, it is assumed there is no intent to abolish it, and that the wording of section 401(g) in this regard is inadvertent. Proposed language rectifying the situation is provided with the technical comments set forth below.

In addition to the foregoing overall views on the proposed bill, the following additional technical comments are made.

Section 103 Definiations

It is suggested that the definition of "contract" be limited to contract, grant or cooperative agreement (as used in P.L. 95-224) for the performance of experimental, developmental or research work funded in whole or in part by the Government. Otherwise such definition could be interpreted to encompass joint endeavors, reimburseable agreements, technical assistance agreements, and like arrangements where no Government funds are expended by the other party. It is felt that these latter agreements are unique, such that patent rights should be negotiated case-by-case, depending on the respective responsibilities and contributions of the parties. If, however, such arrangements are to be included in the definition, adequate flexibility should be provided in Title III to accommodate these unique situations.

Section 201(b)(4)

It is unclear who an "aggrieved party" is, particularly when read in conjunction with the hearings afforded "affected parties" in conjunction with the exercise of march-in rights under section304(b). Also, it is unclear whether the involved "disputes" are limited to the exercise of march-in rights or could include additional matters such as determinations under sections 301 and 303, the revocation of a contractor's license under section 302(b), and failure to report inventions or provide utilization reports as required by section 305.

Section 301(a) Rights of the Government

It appears that two of the criteria under which the Government acquires title (i.e., (1) and (5)) are non-discretionary and require title in the Government at the time of contracting when it is determined that certain facts exist; and that two of the criteria (i.e., (2) and (3)) are discretionary in that they require a determination of a need for the Government to acquire title for policy reasons. Clarification of this aspect is needed, especially when section 301(a) is read in conjunction with the waiver authority of section 303. Particularly, to the extent any of the criteira set forth in section 301(a) are discretionary, it would appear to be unnecessary to exercise such discretion in order for the Government to acquire title and then, exercise the additional discretion under section 303 to waive title back to the contractor. On the other hand, if the intent is to make it mandatory that the Government acquire title when any of the ennumerated criteria are found to exist, then flexible waiver authority becomes significant. Even then, however, it appears that the waiver authority should be limited to identified inventions made after contract; a class waiver would seem to nullify the criteria, thus bringing into question the reasons why they were made mandatory in the first instance.

Section 303 Waiver

Clarification is also needed as to the extent of the rights that may be waived under section 303. Particularly, it is not clear whether the terminology "...all or any part of the rights of the United States under this title..." provides authority to waive the march-in rights of section 304 and the Government's license required by section 305(a)(2), or that waiver should at all times be subject to such rights.

Section 304 March-in Rights

Regarding the "march-in" rights, no need is seen to require approval of the Secretary (of Commerce) in order for an agency to make the type of determinations set forth in section 304(a)(1). Such determinations are based on factual matters within the purview of an agency's patent program, and in the interest of assuring expeditious and beneficial utilization of the involved technology should be made as quickly and informally as possible. The contractor, of course, should be given notice, an opportunity to be heard administratively, and the right to judicial review before the determination is made final and acted on, but these are procedures best carried out by the agency responsible for the involved activity.

Also, it is unclear what the difference is between the determination to be made by an agency (stated in section304(a)(1)), and the determination to be made by the Secretary under section 304(b) after a formal hearing. It is further unclear who "affected parties" are from the wording of section 304(1): the contractor and the Government only; or also, a third-party applicant for a license or other interested third parties. This is further confused by section 201(b)(4) which authorizes the Secretary "to determine with administrative finality any dispute between an agency and an aggrieved party."

Section 401(g)

To correct what is an apparent inadvertent abolishment of the authority of 42 U.S.C. 2458(a), the following is proposed for subsection 401(g)(2):

> "(2) by amending section 306(a) thereof (42 U.S.C. 2458(a)) by striking out the following language in the first sentence thereof: '(as defined by section 305)'; and by striking out in the second sentence thereof 'the Inventions and Contributions Board, established under section 305 of this Act' and inserting in lieu thereof the following language: 'an Inventions and Contributions Board which shall be established within the Administration'."

At the same time, for clarity, the new section 305 proposed by section 401(g)(2) of the Draft Bill should be modified to read:

> "Section 305 WAIVER OF PATENT RIGHTS - Each proposal for any waiver of patent rights under section 303 of [cite proposed bill] shall be referred to the Inventions and Contributions Board established by the Administrator under section 306 of this Act. 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."

Waiver Procedure

The above language is suggested, only, and NASA would consider other techniques to correct the apparent inadvertence.

Subject to the above considerations, we support the objectives of the Draft Bill, particularly the approach for allocation of rights to inventions made under Government contracts, grants and cooperative agreements set forth in Title III.

Sincerely,

John F. Murphy
Director, Office of
Legislative Affairs