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Calendar No.

96TH CONGRESS
1ST SESSION

S. 414

[Report No. 96-]

To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 9 (legislative day, JANUARY 15), 1979

Mr. BAYH (for himself, Mr. DOLE, Mr. BELLMON, Mr. DECONCINI, Mr. GARN, Mr. HATFIELD, Mr. HATCH, Mr. LUGAR, Mr. MATHIAS, Mr. MATSUNAGA, Mr. MCGOVERN, Mr. METZENBAUM, Mr. SCHMITT, Mr. THURMOND, Mr. COCHRAN, Mr. MOYNIHAN, Mr. INOUE, Mr. HUDDLESTON, Mr. CHAFEE, Mr. EXON, Mr. ZOBINSKY, Mr. LEAHY, Mr. EAGLETON, Mr. GRAVEL, Mr. BURDICK, Mr. DOMENICI, Mr. MAGNUSON, Mr. TSONGAS, Mr. DURKIN, Mr. HOLLINGS, Mr. NELSON, Mr. NUNN, and Mr. FORD) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

DECEMBER , 1979

Reported by Mr. , with an amendment

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

A BILL

To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and

nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That this Act may be cited as the "University and Small
 4 Business Patent Procedures Act".

5 **SEC. 2. AMENDMENT OF TITLE 35, UNITED STATES**
 6 **CODE, PATENTS.**—Title 35 of the United States Code is
 7 amended by adding after chapter 17, a new chapter as
 8 follows:

9 **"CHAPTER 18.—PATENTABILITY OF INVENTIONS**
 10 **MADE WITH FEDERAL ASSISTANCE**

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

11 **"SEC. 200. POLICY AND OBJECTIVE.**—It is the policy
 12 and objective of the Congress to use the patent system to
 13 promote the utilization of inventions arising from federally
 14 supported research or development; to encourage maximum
 15 participation of small business firms in federally supported

1 research and development efforts; to promote collaboration
2 between commercial concerns and nonprofit organizations;
3 including universities; to ensure that inventions made by non-
4 profit organizations and small business firms are used in a
5 manner to promote free competition and enterprise; to pro-
6 mote the commercialization and public availability of inven-
7 tions made in the United States by United States industry
8 and labor; to ensure that the Government obtains sufficient
9 rights in federally supported inventions to meet the needs of
10 the Government and protect the public against nonuse or un-
11 reasonable use of inventions; and to minimize the costs of
12 administering policies in this area.

13 "SEC. 204. DEFINITIONS.—As used in this chapter—

14 "(a) The term 'Federal agency' means any execu-
15 tive agency as defined in section 105 of title 5, United
16 States Code, and the military departments as defined
17 by section 102 of title 5, United States Code.

18 "(b) The term 'funding agreement' means any
19 contract, grant, or cooperative agreement entered into
20 between any Federal agency and any person for the
21 performance of experimental, developmental, or re-
22 search work funded in whole or in part by the Federal
23 Government. Such term includes any assignment, sub-
24 stitution of parties, or subcontract of any type entered
25 into for the performance of experimental, developmen-

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1 tal, or research work under a funding agreement as
2 herein defined.

3 “(c) The term ‘contractor’ means any person that
4 is a party to funding agreement.

5 “(d) The term ‘invention’ means any invention or
6 discovery which is or may be patentable or otherwise
7 protectable under this title.

8 “(e) The term ‘subject invention’ means any in-
9 vention of the contractor conceived or first actually re-
10 ceived to practice in the performance of work under a
11 funding agreement.

12 “(f) The term ‘practical application’ means to
13 manufacture in the case of a composition or product, to
14 practice in the case of a process or method, or to oper-
15 ate in the case of a machine or system; and, in each
16 case, under such conditions as to establish that the in-
17 vention is being utilized and that its benefits are to the
18 extent permitted by law or Government regulations
19 available to the public on reasonable terms.

20 “(g) The term ‘made’ when used in relation to
21 any invention means the conception or first actual re-
22 duction to practice of such invention.

23 “(h) The term ‘small business firm’ means a small
24 business concern as defined at section 2 of Public Law
25 85-526 (15 U.S.C. 632) and implementing regulations

1 of the Administrator of the Small Business
2 Administration:

3 “(i) The term ‘nonprofit organization’ means uni-
4 versities and other institutions of higher education or
5 an organization of the type described in section
6 501(c)(3) of the Internal Revenue Code of 1954 (26
7 U.S.C. 501(e)) and exempt from taxation under section
8 501(c) of the Internal Revenue Code (26 U.S.C.
9 501(c)).

10 “Sec. 202. DISPOSITION OF RIGHTS.—(a) Each non-
11 profit organization or small business firm may, within a rea-
12 sonable time after disclosure as required by paragraph (e)(1)
13 of this section, elect to retain title to any subject invention:
14 *Provided, however, That a funding agreement may provide*
15 *otherwise (i) when the subject invention is made under a con-
16 tract for the operation of a Government-owned research or*
17 *production facility, or (ii) in exceptional circumstances when*
18 *it is determined by the agency that restriction or elimination*
19 *of the right to retain title to any subject invention will better*
20 *promote the policy and objectives of this chapter. The rights*
21 *of the nonprofit organization or small business firm shall be*
22 *subject to the provisions of paragraph (e) of this section and*
23 *the other provisions of this chapter.*

24 “(b)(1) Any determination under (ii) of paragraph (a) of
25 this section shall be in writing and accompanied by a written

1 statement of facts justifying the determination. A copy of
 2 each such determination and justification shall be sent to the
 3 Comptroller General of the United States within thirty days
 4 after the award of the applicable funding agreement. In the
 5 case of determinations applicable to funding agreements with
 6 small business firms copies shall also be sent to the Chief
 7 Counsel for Advocacy of the Small Business Administration.

8 "(2) If the Comptroller General believes that any pat-
 9 tern of determinations by a Federal agency is contrary to the
 10 policy and objectives of this chapter or that an agency's poli-
 11 cies or practices are otherwise not in conformance with this
 12 chapter, the Comptroller General shall so advise the head of
 13 the agency. The head of the agency shall advise the Comp-
 14 troller General in writing within one hundred twenty days of
 15 what action, if any, the agency has taken or plans to take
 16 with respect to the matters raised by the Comptroller
 17 General.

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

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1 “(e) Each funding agreement with a small business firm
2 of nonprofit organization shall contain appropriate provisions
3 to effectuate the following:

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

9 “(2) A requirement that the contractor make an
10 election to retain title to any subject invention within a
11 reasonable time after disclosure and that the Federal
12 Government may receive title to any subject invention
13 in which the contractor does not elect to retain rights
14 or fails to elect rights within such time.

15 “(3) A requirement that a contractor electing
16 rights file patent applications within reasonable times
17 and that the Federal Government may receive title to
18 any subject inventions in the United States or other
19 countries in which the contractor has not filed patent
20 applications on the subject invention within such times.

21 “(4) With respect to any invention in which the
22 contractor elects rights, the Federal agency shall have
23 a nonexclusive, nontransferable, irrevocable, paid-up li-
24 cense to practice or have practiced for or on behalf of
25 the United States any subject invention throughout the

1 world, and may, if provided in the funding agreement,
2 have additional rights to sublicense any foreign govern-
3 ment pursuant to any existing or future treaty or
4 agreement.

5 "(5) The right of the Federal agency to require
6 periodic reporting on the utilization of efforts at obtain-
7 ing utilization that are being made by the contractor or
8 his licensees or assignees: *Provided*, That any such in-
9 formation may be treated by the Federal agency as
10 commercial and financial information obtained from a
11 person and privileged and confidential and not subject
12 to disclosure under the Freedom of Information Act.

13 "(6) An obligation on the part of the contractor,
14 in the event a United States patent application is filed
15 by or on its behalf or by any assignee of the contrac-
16 tor, to include within the specification of such applica-
17 tion and any patent issuing thereon, a statement speci-
18 fying that the invention was made with Government
19 support and that the Government has certain rights in
20 the invention.

21 "(7) In the case of a nonprofit organization, (a) a
22 prohibition upon the assignment of rights to a subject
23 invention in the United States without the approval of
24 the Federal agency, except where such assignment is
25 made to an organization which has as one of its pri-

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1 many functions the management of inventions and
2 which is not, itself, engaged in or does not have a sub-
3 stantial proprietary interest in the manufacture or sale
4 of products or the use of processes that might utilize
5 the invention or be in competition with embodiments of
6 the invention (provided that such assignee shall be sub-
7 ject to the same provisions as the contractor) (b) a pro-
8 hibition against the granting of exclusive licenses under
9 United States Patents or Patent Applications in a sub-
10 ject invention by the contractor for a period in excess
11 of the earlier of five years from first commercial sale or
12 use of the invention or eight years from the date of the
13 exclusive license excepting that time before regulatory
14 agencies necessary to obtain premarket clearance
15 unless, on a case-by-case basis, the Federal agency ap-
16 proves a longer exclusive license. If exclusive field of
17 use licenses are granted, commercial sale or use in one
18 field of use shall not be deemed commercial sale or use
19 as to other fields of use; (e) a requirement that the con-
20 tractor share royalties with the inventor; and (d) a re-
21 quirement that the balance of any royalties or income
22 earned by the contractor with respect to subject inven-
23 tions, after payment of expenses (including payments to
24 inventors) incidental to the administration of subject in-

S. 414

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1 ventions, be utilized for the support of scientific re-
2 search or education:

3 “(9) The requirements of sections 203, 204, and
4 205 of this chapter.

5 “(d) If a contractor does not elect to retain title to a
6 subject invention in cases subject to this section, the Federal
7 agency may consider and after consultation with the contrac-
8 tor grant requests for retention of rights by the inventor sub-
9 ject to the provisions of this Act and regulations promulgated
10 hereunder.

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

18 “SEC. 203. MARCH-IN RIGHTS.—With respect to any
19 subject invention in which a small business firm or nonprofit
20 organization has acquired title under this chapter, the
21 Federal agency under whose funding agreement the subject
22 invention was made shall have the right, in accordance with
23 such procedures as are provided in regulations promulgated
24 hereunder to require the subject inventor, an assignee or ex-
25 clusive licensee of a subject invention to grant a nonexclu-

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1 sive, partially exclusive, or exclusive license in any field of
2 use to a responsible applicant or applicants; upon terms that
3 are reasonable under the circumstances, and if the contractor,
4 assignee, or exclusive licensee refuses such request, to grant
5 such a license itself, if the Federal agency determines
6 either—

7 “(a) that such action is necessary because the
8 contractor or assignee has not taken, or is not ex-
9 pected to take within a reasonable time, effective steps
10 to achieve practical application of the subject invention
11 in such field of use; or

12 “(b) that such action is necessary to alleviate
13 health or safety needs which are not reasonably satis-
14 fied by the contractor, assignee, or their licensees; or
15 “(c) that such action is necessary to meet require-
16 ments for public use specified by Federal regulations
17 and such requirements are not reasonably satisfied by
18 the contractor, assignee, or licensees; or

19 “(d) that such action is necessary because the
20 agreement required by section 205 has not been ob-
21 tained or waived or because a licensee of the exclusive
22 right to use or sell any subject invention in the United
23 States is in breach of its agreement obtained pursuant
24 to section 205.

1 "SEC. 204. RETURN OF GOVERNMENT INVEST-

2 MENT:—(a) If a nonprofit organization or small business firm

3 receives \$250,000 in after tax profits from the licensing of

4 any subject invention within a period of ten years following

5 disclosure of the invention, the United States shall be entitled

6 to a share, to be negotiated, of up to 50 per centum of all net

7 income during said period from licensing received by the con-

8 tractor above \$250,000: *Provided, however,* That in no event

9 shall the United States be entitled to an amount greater than

10 that portion of the Federal funding under the funding agree-

11 ment under which the subject invention was made which was

12 expended on activities related to the making of the invention.

13 "(b) In addition, if a nonprofit organization or small

14 business firm receives after tax profits in excess of

15 \$2,000,000 on sales of products embodying or manufactured

16 by a process employing a subject invention, during a period of

17 ten years commencing with commercial exploitation of the

18 subject invention, the Government shall be entitled to a

19 share, to be negotiated, of all additional income accruing

20 from such sales up to the amount of the portion of the Gov-

21 ernment funding under the funding agreement under which

22 the invention was made which was expended on activities

23 related to the making of the invention less any amounts re-

24 ceived by the Government in accordance with paragraph (a)

25 of this section 204.

P. 81

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1 “(e) The Director of the Office of Federal Procurement
2 Policy is authorized and directed to revise the figures of
3 \$250,000 and \$2,000,000 in paragraphs (e) and (f) of this
4 section at least every three years in light of changes to the
5 Consumer Price Index or other indices which he considers
6 reasonable to use.

7 “SEC. 205. PREFERENCE FOR UNITED STATES INDUS-
8 TRY.—Notwithstanding any other provision of this chapter,
9 no small business firm or nonprofit organization which re-
10 ceives title to any subject invention and no assignee of any
11 such nonprofit organization shall grant to any person the ex-
12 clusive right to use or sell any subject invention in the United
13 States unless such person agrees that any products embody-
14 ing the subject invention or produced through the use of the
15 subject invention will be manufactured substantially in the
16 United States. However, in individual cases, the requirement
17 for such an agreement may be waived by the Federal agency
18 under whose funding agreement the invention was made
19 upon a showing by the small business firm, nonprofit organi-
20 zation, or assignee that reasonable but unsuccessful efforts
21 have been made to grant licenses on similar terms to poten-
22 tial licensees that would be likely to manufacture substan-
23 tially in the United States.

24 “SEC. 206. CONFIDENTIALITY.—Federal agencies are
25 authorized to withhold from disclosure to the public informa-

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1 tion disclosing any invention in which the Federal Govern-
 2 ment owns or may own a right, title, or interest (including a
 3 nonexclusive license) for a reasonable time in order for a
 4 patent application to be filed. Furthermore, Federal agencies
 5 shall not be required to release copies of any document which
 6 is part of an application for patent filed with the United
 7 States Patent and Trademark Office or with any foreign
 8 patent office.

9 "SEC. 207. UNIFORM CLAUSES.—The Office of Feder-
 10 al Procurement Policy, after receiving recommendations of
 11 the Office of Science and Technology Policy, may issue regu-
 12 lations which may be made applicable to Federal agencies
 13 establishing standard funding agreement provisions required
 14 under this chapter.

15 "SEC. 208. DOMESTIC AND FOREIGN PROTECTION OF
 16 FEDERALLY OWNED INVENTIONS.—Each Federal agency is
 17 authorized to—

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

22 "(2) promote the licensing of inventions covered
 23 by federally owned patent applications, patents, or
 24 other forms of protection obtained with the objective of

1 maximizing utilization by the public of the inventions
2 covered thereby;

3 "(3) grant nonexclusive, exclusive, or partially ex-
4 clusive licenses under federally owned patent applica-
5 tions, patents, or other forms of protection obtained,
6 royalty-free or for royalties or other consideration, and
7 on such terms and conditions, including the grant to
8 the licensee of the right of enforcement pursuant to the
9 provisions of chapter 28 of this title as determined ap-
10 propriate in the public interest;

11 "(4) make market surveys and other investiga-
12 tions for determining the potential of federally owned
13 inventions for domestic and foreign licensing and other
14 forms of utilization, acquire technical information, and
15 engage in negotiations and other activities for promot-
16 ing the licensing and for the purpose of enhancing their
17 marketability and public utilization;

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

22 "(6) transfer custody and administration, in whole
23 or in part, to the Department of Commerce or to an-
24 other Federal agency; of the right, title, or interest in
25 any federally owned invention for the purpose of carry-

1 ing out the provisions of paragraphs (1) through (4)
2 without regard to the provisions of the Federal Pro-
3 perty and Administrative Services Act of 1949 (40
4 U.S.C. 471); and

5 "(7) designate the Department of Commerce as
6 recipient of any or all funds received from fees, royals-
7 ties; or other management of federally owned inven-
8 tions authorized under this chapter.

9 "SEC. 209. REGULATIONS GOVERNING FEDERAL LI-
10 CENSING.—The Administrator of General Services is author-
11 ized to promulgate regulations specifying the terms and con-
12 ditions upon which any federally owned invention may be
13 licensed on a nonexclusive, partially exclusive, or exclusive
14 basis.

15 "SEC. 210. COORDINATION OF FEDERAL LICENSING
16 PRACTICES.—The Secretary of Commerce is authorized in
17 cooperation with other Federal agencies to—

18 "(1) coordinate a program for assisting all Federal
19 agencies in carrying out the authority set forth in sec-
20 tion 208;

21 "(2) publish notification of all federally owned in-
22 ventions that are available for licensing;

23 "(3) evaluate inventions referred by Federal agen-
24 cies, and patent applications filed thereon; in order to
25 identify those inventions with the greatest commercial

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1 potential and to insure promotion and utilization by the
2 public of inventions so identified;

3 “(4) assist the Federal agencies in seeking and
4 maintaining protection on inventions in the United
5 States and in foreign countries, including the payment
6 of fees and costs connected therewith;

7 “(5) accept custody and administration, in whole
8 or in part, of the right, title, and interest in any inven-
9 tion for the purposes set forth in paragraphs (4)
10 through (4) of section 208, with the approval of the
11 Federal agency concerned and without regard to the
12 provisions of the Federal Property and Administrative
13 Service Act of 1949 (40 U.S.C. 471);

14 “(6) receive funds from fees, royalties, or other
15 management of federally owned inventions authorized
16 under this chapter, but such fund shall be used only for
17 the purposes of this chapter; and

18 “(7) undertake such other functions directly or
19 through such contracts as are necessary and appropri-
20 ate to accomplish the purposes of this title.

21 “SEC. 211. RESTRICTIONS ON LICENSING OF FEDER-
22 ALLY OWNED INVENTIONS.—(a) No Federal agency shall
23 grant any license under a patent or patent application on a
24 federally owned invention unless the person requesting the

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1 license has supplied the agency with a plan for development
2 and/or marketing of the invention.

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

8 **“(c)(1) Each Federal agency may grant exclusive or
9 partially exclusive licenses in any invention covered by a fed-
10 erally owned domestic patent or patent application only if,
11 after public notice and opportunity for filing written objec-
12 tions, it is determined that—**

13 **“(A) the interests of the Federal Government and
14 the public will best be served by the proposed license;
15 in view of the applicant’s intentions, plans, and ability
16 to bring the invention to practical application or other-
17 wise promote the invention’s utilization by the public;**

18 **“(B) the desired practical application has not been
19 achieved, or is not likely expeditiously to be achieved;
20 under any nonexclusive license which has been grant-
21 ed, or which may be granted, on the invention;**

22 **“(C) exclusive or partially exclusive licensing is a
23 reasonable and necessary incentive to call forth the in-
24 vestment of risk capital and expenditures to bring the**

NOV 26 1977
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1 invention to practical application or otherwise promote
2 the invention's utilization by the public; and

3 "~~(D)~~ the proposed terms and scope of exclusivity
4 are not greater than reasonably necessary to provide
5 the incentive for bringing the invention to practical ap-
6 plication or otherwise promote the invention's utiliza-
7 tion by the public.

8 "~~(2)~~ A Federal agency shall not grant such exclusive or
9 partially exclusive license under paragraph (1) of this subsec-
10 tion if it determines that the grant of such license will tend
11 substantially to lessen competition or result in undue concen-
12 tration in any section of the country in any line of commerce
13 to which the technology to be licensed relates, or to create or
14 maintain other situations inconsistent with the antitrust
15 laws.

16 "~~(3)~~ First preference in the exclusive or partially exclu-
17 sive licensing of federally owned inventions shall go to small
18 business firms submitting plans that are determined by the
19 agency to be within the capabilities of the firms and as likely,
20 if executed, to bring the invention to practical application as
21 any plans submitted by applicants that are not small business
22 firms.

23 "~~(d)~~ After consideration of whether the interests of the
24 Federal Government or United States industry in foreign
25 commerce will be enhanced, any Federal agency may grant

NOV 28 1979
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1 exclusive or partially exclusive licenses in any invention cov-
2 ered by a foreign patent application or patent, after public
3 notice and opportunity for filing written objections, except
4 that a Federal agency shall not grant such exclusive or par-
5 tially exclusive license if it determines that the grant of such
6 license will tend substantially to lessen competition or result
7 in undue concentration in any section of the country in any
8 line of commerce to which the technology to be licensed re-
9 lates, or to create or maintain other situations inconsistent
10 with the antitrust laws.

11 "(e) The Federal agency shall maintain a record of de-
12 terminations to grant exclusive or partially exclusive licenses:
13 "(f) Any grant of a license shall contain such terms and
14 conditions as the Federal agency determines appropriate for
15 the protection of the interests of the Federal Government and
16 the public, including provisions for the following:

17 "(1) periodic reporting on the utilization or efforts
18 at obtaining utilization that are being made by the li-
19 censee with particular reference to the plan submitted;
20 *Provided*, That any such information may be treated by
21 the Federal agency as commercial and financial infor-
22 mation obtained from a person and privileged and con-
23 fidential and not subject to disclosure under the Free-
24 dom of Information Act;

1 “(2) the right of the Federal agency to terminate
 2 such license in whole or in part if it determines that
 3 the licensee is not executing the plan submitted with
 4 its request for a license and the licensee cannot other-
 5 wise demonstrate to the satisfaction of the Federal
 6 Agency that it has taken or can be expected to take
 7 within a reasonable time, effective steps to achieve
 8 practical application of the invention;

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

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

19 “SEC. 212. PRECEDENCE OF ACT.—(a) This chapter
 20 shall take precedence over any other Act which would re-
 21 quire a disposition of rights in subject inventions of small
 22 business firms or nonprofit organizations contractors in a
 23 manner that is inconsistent with this chapter, including but
 24 not necessarily limited to the following:

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

4 “(2) section 205(a) of the Act of August 14, 1946
5 (7 U.S.C. 1624(a); 60 Stat. 1090);

6 “(3) section 501(e) of the Federal Coal Mine
7 Health and Safety Act of 1969 (30 U.S.C. 951(e); 83
8 Stat. 742);

9 “(4) section 106(e) of the National Traffic and
10 Motor Vehicle Safety Act of 1966 (15 U.S.C. 1935(e);
11 80 Stat. 721);

12 “(5) section 12 of the National Science Founda-
13 tion Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

14 “(6) section 152 of the Atomic Energy Act of
15 1954 (42 U.S.C. 2182; 68 Stat. 943);

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

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

20 “(9) section 4 of the Helium Act Amendments of
21 1960 (50 U.S.C. 167b; 74 Stat. 920);

22 “(10) section 32 of the Arms Control and Disar-
23 mament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

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

4 “(12) subsection (a)(2) of section 216 of title 38,
5 United States Code;

6 “(13) section 9 of the Federal Nonnuclear Energy
7 Research and Development Act of 1974 (42 U.S.C.
8 5901; 88 Stat. 1878);

9 “(14) section 3 of the Act of June 22, 1976 (42
10 U.S.C. 1959d, note; 90 Stat. 694);

11 “(15) subsection (d) of section 6 of the Saline
12 Water Conversion Act of 1971 (42 U.S.C. 1959(d); 85
13 Stat. 161);

14 “(16) section 303 of the Water Resources Re-
15 search Act of 1964 (42 U.S.C. 1961c-3; 78 Stat.
16 332);

17 “(17) section 5(d) of the Consumer Product Safety
18 Act (15 U.S.C. 2054(d); 88 Stat. 1211);

19 “(18) section 3 of the Act of April 5, 1944 (30
20 U.S.C. 323; 58 Stat. 191); and

21 “(19) section 8001 of the Solid Waste Disposal
22 Act (42 U.S.C. 6981; 90 Stat. 2829).

23 The Act creating this chapter shall be construed to take pree-
24 cedence over any future Act unless that Act specifically cites

1 this Act and provides that it shall take precedence over this
2 Act.

3 ~~“(b) Nothing in this chapter is intended to alter the~~
4 ~~effect of the laws cited in paragraph (c) of this section or any~~
5 ~~other laws with respect to the disposition of rights in inven-~~
6 ~~tions made in the performance of funding agreements with~~
7 ~~persons other than nonprofit organizations or small business~~
8 ~~firms.~~

9 ~~“(c) Nothing in this chapter is intended to limit the au-~~
10 ~~thority of agencies to agree to the distribution of rights in~~
11 ~~inventions made in the performance of work under funding~~
12 ~~agreements with persons other than nonprofit organizations~~
13 ~~or small business firms in accordance with the Statement of~~
14 ~~Government Patent Policy issued by the President on August~~
15 ~~22, 1974 (36 Fed. Reg. 16887), agency regulations, or other~~
16 ~~applicable regulations or to otherwise limit the authority of~~
17 ~~agencies to agree to allow such persons to retain ownership~~
18 ~~of such inventions.~~

19 ~~“SEC. 213. RELATIONSHIP TO ANTI-TRUST LAWS.—~~
20 ~~Nothing in this chapter shall be deemed to convey to any~~
21 ~~person immunity from civil or criminal liability, or to create~~
22 ~~any defenses to actions, under any antitrust law.”~~

23 ~~SEC. 2. AMENDMENTS TO OTHER ACTS.—The follow-~~
24 ~~ing Acts are amended as follows:~~

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

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

7 (c) The Federal Nonnuclear Energy Research and De-
8 velopment Act of 1974 is amended by repealing paragraphs
9 (g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and (i);
10 88 Stat. 1889-1891).

11 **SEC. 4. EFFECTIVE DATE.**—This Act shall take effect
12 one hundred and eighty days after the date of its enactment,
13 except that the regulations referred to in section 2, or other
14 implementing regulations, may be issued prior to that time.
15 *That this Act may be cited as the "University and Small
16 Business Patent Procedures Act".*

17 **SEC. 2. (a) AMENDMENT OF TITLE 35, UNITED**
18 **STATES CODE, PATENTS.**—Title 35 of the United States
19 Code is amended by adding after chapter 17, a new chapter
20 as follows:

21 **"CHAPTER 18.—PATENT RIGHTS IN INVENTIONS**
22 **MADE WITH FEDERAL ASSISTANCE**

- ②
- "Sec.
 - "200. Policy and objective.
 - "201. Definitions.
 - "202. Disposition of rights.
 - "203. March-in rights.
 - "204. Return of Government investment.
 - "205. Preference for United States industry.

- "206. Confidentially.
 "207. Uniform clauses and regulations.
 "208. Domestic and foreign protection of federally owned inventions.
 "209. Regulations governing Federal licensing.
 "210. Restrictions on licensing of federally owned inventions.
 "211. Precedence of chapter.
 "212. Relationship to antitrust laws.

1 "§ 200. Policy and objective

2 "It is the policy and objective of the Congress to use the
 3 patent system to promote the utilization of inventions arising
 4 from federally supported research or development; to encour-
 5 age maximum participation of small business firms in feder-
 6 ally supported research and development efforts; to promote
 7 collaboration between commercial concerns and nonprofit or-
 8 ganizations, including universities; to ensure that inventions
 9 made by nonprofit organizations and small business firms
 10 are used in a manner to promote free competition and enter-
 11 prise; to promote the commercialization and public availabil-
 12 ity of inventions made in the United States by United States
 13 industry and labor; to ensure that the Government obtains
 14 sufficient rights in federally supported inventions to meet the
 15 needs of the Government and protect the public against
 16 nonuse or unreasonable use of inventions; and to minimize
 17 the costs of administering policies in this area.

18 "§ 201. Definitions

19 "As used in this chapter—

20 "(a) The term 'Federal agency' means any execu-
 21 tive agency as defined in section 105 of title 5, United

1 *States Code, and the military departments as defined*
2 *by section 102 of title 5, United States Code.*

3 *“(b) The term ‘funding agreement’ means any*
4 *contract, grant, or cooperative agreement entered into*
5 *between any Federal agency and any person for the*
6 *performance of experimental, developmental, or re-*
7 *search work funded in whole or in part by the Federal*
8 *Government. Such term includes any assignment, sub-*
9 *stitution of parties, or subcontract of any type entered*
10 *into for the performance of experimental, developmen-*
11 *tal, or research work under a funding agreement as*
12 *herein defined.*

13 *“(c) The term ‘contractor’ means any person that*
14 *is a party to funding agreement.*

15 *“(d) The term ‘invention’ means any invention or*
16 *discovery which is or may be patentable or otherwise*
17 *protectable under this title.*

18 *“(e) The term ‘subject invention’ means any in-*
19 *vention of the contractor conceived or first actually re-*
20 *duced to practice in the performance of work under a*
21 *funding agreement.*

22 *“(f) The term ‘practical application’ means to*
23 *manufacture in the case of a composition or product, to*
24 *practice in the case of a process or method, or to oper-*
25 *ate in the case of a machine or system; and, in each*

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1 case, under such conditions as to establish that the in-
2 vention is being utilized and that its benefits are to the
3 extent permitted by law or Government regulations
4 available to the public on reasonable terms.

5 "(g) The term 'made' when used in relation to
6 any invention means the conception or first actual re-
7 duction to practice of such invention.

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

13 "(i) The term 'nonprofit organization' means uni-
14 versities and other institutions of higher education or
15 an organization of the type described in section
16 501(c)(3) of the Internal Revenue Code of 1954 (26
17 U.S.C. 501(c)) and exempt from taxation under sec-
18 tion 501(a) of the Internal Revenue Code (26 U.S.C.
19 501(a)).

20 "§ 202. Disposition of rights

21 "(a) Each nonprofit organization or small business firm
22 may, within a reasonable time after disclosure as required by
23 paragraph (c)(1) of this section, elect to retain title to any
24 subject invention: Provided, however, That a funding agree-
25 ment may provide otherwise (i) when the funding agreement

S. 414

P. 2000

1 is for the operation of a Government-owned research or pro-
 2 duction facility, (ii) in exceptional circumstances when it is
 3 determined by the agency that restriction or elimination of
 4 the right to retain title to any subject invention will better
 5 promote the policy and objectives of this chapter or (iii) when
 6 it is determined by a Government authority which is author-
 7 ized by statute or Executive order to conduct foreign intelli-
 8 gence or counterintelligence activities that the restriction or
 9 elimination of the right to retain title to any subject invention
 10 is necessary to protect the security of such activities. The
 11 rights of the nonprofit organization or small business firm
 12 shall be subject to the provisions of paragraph (c) of this sec-
 13 tion and the other provisions of this chapter.

14 “(b)(1) Any determination under (ii) of paragraph (a)
 15 of this section shall be in writing and accompanied by a writ-
 16 ten statement of facts justifying the determination. A copy of
 17 each such determination and justification shall be sent to the
 18 Comptroller General of the United States within thirty days
 19 after the award of the applicable funding agreement. In the
 20 case of determinations applicable to funding agreements with
 21 small business firms copies shall also be sent to the Chief
 22 Counsel for Advocacy of the Small Business Administration.

23 “(2) If the Comptroller General believes that any pat-
 24 tern of determinations by a Federal agency is contrary to the
 25 policy and objectives of this chapter or that an agency's poli-

S. 414

1 *cies or practices are otherwise not in conformance with this*
 2 *chapter, the Comptroller General shall so advise the head of*
 3 *the agency. The head of the agency shall advise the Comp-*
 4 *troller General in writing within one hundred and twenty*
 5 *days of what action, if any, the agency has taken or plans to*
 6 *take with respect to the matters raised by the Comptroller*
 7 *General.*

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

15 “(c) *Each funding agreement with a small business*
 16 *firm or nonprofit organization shall contain appropriate pro-*
 17 *visions to effectuate the following:*

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

23 “(2) *A requirement that the contractor make an*
 24 *election to retain title to any subject invention within a*
 25 *reasonable time after disclosure and that the Federal*

S. 414

4-054406

0031(00)(29-NOV-79-04:31:18)

PRICE 74578 11-28-79 (1st OC's)

1 *Government may receive title to any subject invention*
2 *in which the contractor does not elect to retain rights or*
3 *fails to elect rights within such time.*

4 *"(3) A requirement that a contractor electing*
5 *rights file patent applications within reasonable times*
6 *and that the Federal Government may receive title to*
7 *any subject inventions in the United States or other*
8 *countries in which the contractor has not filed patent*
9 *applications on the subject invention within such*
10 *times.*

11 *"(4) With respect to any invention in which the*
12 *contractor elects rights, the Federal agency shall have*
13 *a nonexclusive, nontransferable, irrevocable, paid-up*
14 *license to practice or have practiced for or on behalf of*
15 *the United States any subject invention throughout the*
16 *world, and may, if provided in the funding agreement,*
17 *have additional rights to sublicense any foreign govern-*
18 *ment or international organization pursuant to any ex-*
19 *isting or future treaty or agreement.*

20 *"(5) The right of the Federal agency to require*
21 *periodic reporting on the utilization or efforts at ob-*
22 *taining utilization that are being made by the contrac-*
23 *tor or his licensees or assignees: Provided, That any*
24 *such information may be treated by the Federal agency*
25 *as commercial and financial information obtained from*

1 a person and privileged and confidential and not sub-
2 ject to disclosure under section 552 of title 5 of the
3 United States Code.

4 "(6) An obligation on the part of the contractor,
5 in the event a United States patent application is filed
6 by or on its behalf or by any assignee of the contractor,
7 to include within the specification of such application
8 and any patent issuing thereon, a statement specifying
9 that the invention was made with Government support
10 and that the Government has certain rights in the in-
11 vention.

12 "(7) In the case of a nonprofit organization, (a) a
13 prohibition upon the assignment of rights to a subject
14 invention in the United States without the approval of
15 the Federal agency, except where such assignment is
16 made to an organization which has as one of its pri-
17 mary functions the management of inventions and
18 which is not, itself, engaged in or does not hold a sub-
19 stantial interest in other organizations engaged in the
20 manufacture or sale of products or the use of processes
21 that might utilize the invention or be in competition
22 with embodiments of the invention (provided that such
23 assignee shall be subject to the same provisions as the
24 contractor) (b) a prohibition against the granting of ex-
25 clusive licenses under United States Patents or Patent

1 Applications in a subject invention by the contractor to
 2 persons other than small business firms for a period in
 3 excess of the earlier of five years from first commercial
 4 sale or use of the invention or eight years from the date
 5 of the exclusive license excepting that time before regu-
 6 latory agencies necessary to obtain premarket clearance
 7 unless, on a case-by-case basis, the Federal agency ap-
 8 proves a longer exclusive license. If exclusive field of
 9 use licenses are granted, commercial sale or use in one
 10 field of use shall not be deemed commercial sale or use
 11 as to other fields of use, and a first commercial sale or
 12 use with respect to a product of the invention shall not
 13 be deemed to end the exclusive period to different sub-
 14 sequent products covered by the invention; (c) a re-
 15 quirement that the contractor share royalties with the
 16 inventor; and (d) a requirement that the balance of any
 17 royalties or income earned by the contractor with re-
 18 spect to subject inventions, after payment of expenses
 19 (including payments to inventors) incidental to the ad-
 20 ministration of subject inventions, be utilized for the
 21 support of scientific research or education.

22 (8) The requirements of sections 203, 204, and
 23 205 of this chapter.

24 (d) If a contractor does not elect to retain title to a
 25 subject invention in cases subject to this section, the Federal

1 agency may consider and after consultation with the contrac-
2 tor grant requests for retention of rights by the inventor sub-
3 ject to the provisions of this Act and regulations promulgated
4 hereunder.

5 “(e) In any case when a Federal employee is a coinven-
6 tor of any invention made under a funding agreement with a
7 nonprofit organization or small business firm, the Federal
8 agency employing such coinventor is authorized to transfer or
9 assign whatever rights it may acquire in the subject inven-
10 tion from its employee to the contractor subject to the condi-
11 tions set forth in this chapter.

12 “(f)(1) No funding agreement with a small business
13 firm or nonprofit organization shall contain a provision al-
14 lowing a Federal agency to require the licensing to third par-
15 ties of inventions owned by the contractor that are not subject
16 inventions unless such provision has been approved by the
17 head of the agency and a written justification has been
18 signed by the head of the agency. Any such provision shall
19 clearly state whether the licensing may be required in con-
20 nection with the practice of a subject invention, a specifically
21 identified work object, or both. The head of the agency may
22 not delegate the authority to approve provisions or sign justi-
23 fications required by this paragraph.

24 “(2) A Federal agency shall not require the licensing of
25 third parties under any such provision unless the head of the

1 agency determines that the use of the invention by others is
2 necessary for the practice of a subject invention or for the use
3 of a work object of the funding agreement and that such
4 action is necessary to achieve the practical application of the
5 subject invention or work object. Any such determination
6 shall be on the record after an opportunity for an agency
7 hearing. Any action commenced for judicial review of such
8 determination shall be brought within sixty days after notifi-
9 cation of such determination.

10 "§ 203. March-in rights

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

24 "(a) action is necessary because the contractor or
25 assignee has not taken, or is not expected to take

1 within a reasonable time, effective steps to achieve
2 practical application of the subject invention in such
3 field of use;

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

7 "(c) action is necessary to meet requirements for
8 public use specified by Federal regulations and such
9 requirements are not reasonably satisfied by the con-
10 tractor, assignee, or licensees; or

11 "(d) action is necessary because the agreement re-
12 quired by section 205 has not been obtained or waived
13 or because a licensee of the exclusive right to use or
14 sell any subject invention in the United States is in
15 breach of its agreement obtained pursuant to section
16 205.

17 **"§ 204. Return of Government investment**

18 "(a) If after the first United States patent application is
19 filed on a subject invention, a nonprofit organization, a small
20 business firm, or an assignee of a subject invention of such
21 an organization or firm to whom such invention was assigned
22 for licensing purposes, receives \$70,000 in gross income for
23 any one calendar year from the licensing of a subject inven-
24 tion or several related subject inventions, the United States
25 shall be entitled to 15 per centum of all income in excess of

S. 414

4-054406

0037(00)(29-NOV-79-04:31:23)

PRICE 74578 11-28-79 (1st OC's)

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1 \$70,000 for that year other than any such excess income
2 received under nonexclusive licenses (except where the nonex-
3 clusive licensee previously held an exclusive or partially ex-
4 clusive license).

5 “(b)(1) Subject to the provisions of paragraph (2), if
6 after the first United States patent application is filed on a
7 subject invention, a nonprofit organization, a small business
8 firm, or an assignee of a subject invention of such an organi-
9 zation or firm, receives gross income of \$1,000,000 for any
10 one calendar year on sales of its products embodying or man-
11 ufactured by a process employing one or more subject inven-
12 tions, the United States shall be entitled to a share, the
13 amount of which to be negotiated but not to exceed 5 per
14 centum, of all gross income in excess of \$1,000,000 for that
15 year accruing from such sales.

16 “(2) In no event shall the United States be entitled to
17 an amount greater than that portion of the Federal funding
18 under the funding agreement or agreements under which the
19 subject invention or inventions was or were made expended
20 on activities related to the making of the invention or inven-
21 tions less any amounts received by the United States under
22 subsection (a) of this section. In any case in which more than
23 one subject invention is involved, no expenditure funded by
24 the United States shall be counted more than once in deter-

S. 414

4-054406

0038(00)(29-NOV-79-04:31:24)

PRICE 74578 11-28-79 (1st CC's)

1 mining the maximum amount to which the United States is
2 entitled.

3 “(c) The Director of the Office of Federal Procurement
4 Policy is authorized and directed to revise the dollar amounts
5 in subsections (a) and (b) of this section at least every three
6 years in light of changes to the Consumer Price Index or
7 other indices which the Director considers reasonable to use.

8 “(d) The entitlement of the United States under subsec-
9 tions (a) and (b) shall cease after (i) the United States
10 Patent and Trademark Office issues a final rejection of the
11 patent application covering the subject invention, (ii) the
12 patent covering the subject invention expires, or (iii) the com-
13 pletion of litigation (including appeals) in which such a
14 patent is finally found to be invalid.

15 “§ 205. Preference for United States industry

16 “Notwithstanding any other provision of this chapter,
17 no small business firm or nonprofit organization which re-
18 ceives title to any subject invention and no assignee of any
19 such small business firm or nonprofit organization shall
20 grant to any person the exclusive right to use or sell any
21 subject invention in the United States unless such person
22 agrees that any products embodying the subject invention or
23 produced through the use of the subject invention will be
24 manufactured substantially in the United States. However,
25 in individual cases, the requirement for such an agreement

1 *may be waived by the Federal agency under whose funding*
2 *agreement the invention was made upon a showing by the*
3 *small business firm, nonprofit organization, or assignee that*
4 *reasonable but unsuccessful efforts have been made to grant*
5 *licenses on similar terms to potential licensees that would be*
6 *likely to manufacture substantially in the United States or*
7 *that under the circumstances domestic manufacture is not*
8 *commercially feasible.*

9 **“§ 206. Confidentiality**

10 *“Federal agencies are authorized to withhold from dis-*
11 *closure to the public information disclosing any invention in*
12 *which the Federal Government owns or may own a right,*
13 *title, or interest (including a nonexclusive license) for a rea-*
14 *sonable time in order for a patent application to be filed.*
15 *Furthermore, Federal agencies shall not be required to re-*
16 *lease copies of any document which is part of an application*
17 *for patent filed with the United States Patent and Trade-*
18 *mark Office or with any foreign patent office.*

19 **“§ 207. Uniform Clauses and regulations**

20 *“The Office of Federal Procurement Policy, after re-*
21 *ceiving recommendations of the Office of Science and Tech-*
22 *nology Policy, may issue regulations which may be made*
23 *applicable to Federal agencies implementing the provisions of*
24 *sections 202 through 205 of this chapter and the Office of*

1 *Federal Procurement Policy shall establish standard funding*
2 *agreement provisions required under this chapter.*

3 *“§208. Domestic and foreign protection of federally owned*
4 *inventions*

5 *“Each Federal agency is authorized to—*

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

10 *“(2) grant nonexclusive, exclusive, or partially*
11 *exclusive licenses under federally owned patent appli-*
12 *cations, patents, or other forms of protection obtained,*
13 *royalty-free or for royalties or other consideration, and*
14 *on such terms and conditions, including the grant to*
15 *the licensee of the right of enforcement pursuant to the*
16 *provisions of chapter 29 of this title as determined ap-*
17 *propriate in the public interest;*

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

22 *“(4) transfer custody and administration, in*
23 *whole or in part, to another Federal agency, of the*
24 *right, title, or interest in any federally owned*
25 *invention.*

S 414

1 *“§209. Regulations governing Federal licensing*

2 *“The Administrator of General Services is authorized*
3 *to promulgate regulations specifying the terms and conditions*
4 *upon which any federally owned invention may be licensed*
5 *on a nonexclusive, partially exclusive, or exclusive basis.*

6 *“§210. Restrictions on licensing of federally owned*
7 *inventions*

8 *“(a) No Federal agency shall grant any license under a*
9 *patent or patent application on a federally owned invention*
10 *unless the person requesting the license has supplied the*
11 *agency with a plan for development and/or marketing of the*
12 *invention, except that any such plan may be treated by the*
13 *Federal agency as commercial and financial information ob-*
14 *tained from a person and privileged and confidential and not*
15 *subject to disclosure under section 552 of title 5 of the United*
16 *States Code.*

17 *“(b) A Federal agency shall normally grant the right to*
18 *use or sell any federally owned invention in the United*
19 *States only to a licensee that agrees that any products em-*
20 *bodying the invention or produced through the use of the in-*
21 *vention will be manufactured substantially in the United*
22 *States.*

23 *“(c)(1) Each Federal agency may grant exclusive or*
24 *partially exclusive licenses in any invention covered by a*
25 *federally owned domestic patent or patent application only if,*

1 after public notice and opportunity for filing written objec-
2 tions, it is determined that—

3 “(A) the interests of the Federal Government and
4 the public will best be served by the proposed license,
5 in view of the applicant’s intentions, plans, and ability
6 to bring the invention to practical application or other-
7 wise promote the invention’s utilization by the public;

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

13 “(C) exclusive or partially exclusive licensing is
14 a reasonable and necessary incentive to call forth the
15 investment of risk capital and expenditures to bring
16 the invention to practical application or otherwise pro-
17 mote the invention’s utilization by the public; and

18 “(D) the proposed terms and scope of exclusivity
19 are not greater than reasonably necessary to provide
20 the incentive for bringing the invention to practical ap-
21 plication or otherwise promote the invention’s utiliza-
22 tion by the public.

23 “(2) A Federal agency shall not grant such exclusive or
24 partially exclusive license under paragraph (1) of this sub-
25 section if it determines that the grant of such license will tend

1 *substantially to lessen competition or result in undue concen-*
2 *tration in any section of the country in any line of commerce*
3 *to which the technology to be licensed relates, or to create or*
4 *maintain other situations inconsistent with the antitrust*
5 *laws.*

6 “(3) *First preference in the exclusive or partially exclu-*
7 *sive licensing of federally owned inventions shall go to small*
8 *business firms submitting plans that are determined by the*
9 *agency to be within the capabilities of the firms and equally*
10 *likely, if executed, to bring the invention to practical applica-*
11 *tion as any plans submitted by applicants that are not small*
12 *business firms.*

13 “(d) *After consideration of whether the interests of the*
14 *Federal Government or United States industry in foreign*
15 *commerce will be enhanced, any Federal agency may grant*
16 *exclusive or partially exclusive licenses in any invention cov-*
17 *ered by a foreign patent application or patent, after public*
18 *notice and opportunity for filing written objections, except*
19 *that a Federal agency shall not grant such exclusive or par-*
20 *tially exclusive license if it determines that the grant of such*
21 *license will tend substantially to lessen competition or result*
22 *in undue concentration in any section of the United States in*
23 *any line of commerce to which the technology to be licensed*
24 *relates, or to create or maintain other situations inconsistent*
25 *with the antitrust laws.*

1 “(e) The Federal agency shall maintain a record of de-
2 terminations to grant exclusive or partially exclusive
3 licenses.

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

8 “(1) periodic reporting on the utilization or efforts
9 at obtaining utilization that are being made by the li-
10 censee with particular reference to the plan submitted.
11 Provided, That any such information may be treated
12 by the Federal agency as commercial and financial in-
13 formation obtained from a person and privileged and
14 confidential and not subject to disclosure under section
15 552 of title 5 of the United States Code;

16 “(2) the right of the Federal agency to terminate
17 such license in whole or in part if it determines that
18 the licensee is not executing the plan submitted with its
19 request for a license and the licensee cannot otherwise
20 demonstrate to the satisfaction of the Federal Agency
21 that it has taken or can be expected to take within a
22 reasonable time, effective steps to achieve practical ap-
23 plication of the invention;

24 “(3) the right of the Federal agency to terminate
25 such license in whole or in part if the licensee is in

1 *breach of an agreement obtained pursuant to paragraph*
2 *(b) of this section; and*

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

9 *“§211. Precedence of chapter*

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

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

18 *“(2) section 205(a) of the Act of August 14, 1946*
19 *(7 U.S.C. 1624(a); 60 Stat. 1090);*

20 *“(3) section 501(c) of the Federal Mine Safety*
21 *and Health Act of 1977 (30 U.S.C. 951(c); 83 Stat.*
22 *742);*

23 *“(4) section 106(c) of the National Traffic and*
24 *Motor Vehicle Safety Act of 1966 (15 U.S.C. 1395(c);*
25 *80 Stat. 721);*

J. H. Davis, Jr.

1 “(5) section 12 of the National Science Founda-
2 tion Act of 1950 (42 U.S.C. 1871(a); 82 Stat. 360);

3 “(6) section 152 of the Atomic Energy Act of
4 1954 (42 U.S.C. 2182; 68 Stat. 943);

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

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

9 “(9) section 4 of the Helium Act Amendments of
10 1960 (50 U.S.C. 167b; 74 Stat. 920);

11 “(10) section 32 of the Arms Control and Disar-
12 mament Act of 1961 (22 U.S.C. 2572; 75 Stat. 634);

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

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

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

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

23 “(15) section 8001(c)(3) of the Solid Waste Dis-
24 posal Act (42 U.S.C. 6981(c); 90 Stat. 2829);

1 “(16) section 219 of the Foreign Assistance Act of
2 1961 (22 U.S.C. 2179; 83 Stat. 806);

3 “(17) section 427(b) of the Federal Mine Health
4 and Safety Act of 1977 (30 U.S.C. 937(b)); 86 Stat.
5 155);

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

9 “(19) section 21(d) of the Federal Fire Preven-
10 tion and Control Act of 1974 (15 U.S.C. 2218(d); 88
11 Stat. 1548);

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

15 “(21) section 12 of the Native Latex Commercial-
16 ization and Economic Development Act of 1978 (7
17 U.S.C. 178(j); 92 Stat. 2533); and

18 “(22) section 408 of the Water Resources and
19 Development Act of 1978 (42 U.S.C. 7879; 92 Stat.
20 1360).

21 The Act creating this chapter shall be construed to take prec-
22 edence over any future Act unless that Act specifically cites
23 this Act and provides that it shall take precedence over this
24 Act.

P. 1
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1 “(b) Nothing in this chapter is intended to alter the
2 effect of the laws cited in paragraph (a) of this section or any
3 other laws with respect to the disposition of rights in inven-
4 tions made in the performance of funding agreements with
5 persons other than nonprofit organizations or small business
6 firms.

7 “(c) Nothing in this chapter is intended to limit the au-
8 thority of agencies to agree to the distribution of rights in
9 inventions made in the performance of work under funding
10 agreements with persons other than nonprofit organizations
11 or small business firms in accordance with the Statement of
12 Government Patent Policy issued by the President on
13 August 23, 1971 (36 Fed. Reg. 16887), agency regulations,
14 or other applicable regulations or to otherwise limit the au-
15 thority of agencies to agree to allow such persons to retain
16 ownership of such inventions.

17 “(d) Nothing in this chapter shall be construed to re-
18 quire the disclosure of intelligence sources or methods or to
19 otherwise affect the authority granted to the Director of Cen-
20 tral Intelligence by statute or Executive order for the protec-
21 tion of intelligence sources or methods.

22 “§ 212. Relationship to Antitrust Laws

23 “Nothing in this chapter shall be deemed to convey to
24 any person immunity from civil or criminal liability, or to
25 create any defenses to actions, under any antitrust law.”

h.c./h.c./

1 (b) *The table of chapters for title 35, United States*
2 *Code, is amended by adding immediately after the item relat-*
3 *ing to chapter 17 the following:*

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

4 **SEC. 3. AMENDMENTS TO OTHER ACTS.**—*The follow-*
5 *ing Acts are amended as follows:*

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

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

12 (c) *The Federal Nonnuclear Energy Research and De-*
13 *velopment Act of 1974 is amended by repealing paragraphs*
14 *(g), (h), and (i) of section 9 (42 U.S.C. 5908 (g), (h), and*
15 *(i); 88 Stat. 1889-1891).*

16 **SEC. 4. EFFECTIVE DATE.**—*This Act and the amend-*
17 *ments made by this Act, shall take effect one hundred and*
18 *eighty days after the date of its enactment, except that the*
19 *regulations referred to in section 2, or other implementing*
20 *regulations, may be issued prior to that time.*

NOV 28 1979

P. Edens, E

[COMMITTEE PRINT]

NOVEMBER 30, 1979

Calendar No.

96TH CONGRESS
1ST SESSION

S. 414

[Report No. 96-]

A BILL

To amend title 35 of the United States Code; to establish a uniform Federal patent procedure for small businesses and nonprofit organizations; to create a consistent policy and procedure concerning patentability of inventions made with Federal assistance; and for other related purposes.

FEBRUARY 9 (legislative day, JANUARY 15), 1979

Read twice and referred to the Committee on the Judiciary

DECEMBER , 1979

Reported with an amendment

PRICE 74578 11-28-79 (1st OC's)

4-054406

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