TITLE IV --TECHNOLOGY MANAGEMENT AT THE DEPARTMENT OF ENERGY

NATIONAL LABORATORIES

Sec. 400. Duties and authorities of the Secretary of Energy.

The Secretary of Energy shall:

(1) review all existing regulations, policies procedures, and administrative processes associated with the Department of Energy's National Laboratories Directors' ability to:

(A) form cooperative relationships and enter into cooperative research and development agreements with private industry or universities;

(B) undetake "work-for others"; and

(C) operate user facilities.

(D) review standards of conduct for resolving potential conflicts of interest to make sure they adequately establish guidelines for situations likely

to arise through the use of the authorities granted in this Act, included, but not limited to cases where present or former National Laboratory employees or their partners negotiate licenses or assignments of titles to inventions or negotiate cooperative research and development agreements with Federal agencies including the Department of Energy or the contractor-operator with which the employee involved is or was formerly employed.

(2) review all Freedom of Information Act policies and procedures to ensure that they are not inconsistent with the purposes of the this Act.

(3) formulate and carry out a comprehensive set of policy guidelines to advance the goals of this act, based on the review required under paragraphs (1) and (2).

(4) report to Congress and the President within 90 days the status of this review and implement the policy guidelines within 180 days of enactment of this bill.

Sec. 401. Findings.

The Congress finds that--

(1) private industry has great interest in scientific collaboration with the Department of Energy National Laboratories but only if the present Department of Energy laboratory contracting process can be streamlined and intellectual property associated with joint ventures, adequately protected;

(2) management authority for intellectual property must be ~~[granted]~~ delegated from the Secretary of Energy to the Director of the Department of Energy National Laboratories to ensure that they can negotiate with industry to set up cooperative research and development agreements; This authority shall be subject to periodic audit and oversight by the Secretary of Energy, the Inspector General and the Comptroller General as well as Congress.

(3) the present Department of Energy policy of disseminating computer software publically via the National Energy Software Center, despite its commercialization potential, has at times, benefited foreign companies and there should be timely, consistent review procedure to ensure that commercialization potential is considered when software is developed under a Department of Energy contract or may have involved some Department of Energy funding;

(4) the Department of Energy National Laboratories must be perceived as "user-friendly" in order for industry to seriously consider the laboratories partners for collaborative research and development ventures;

(5) the National Laboratories must aggressively seek contact with private industries to ensure that they recognize the technical and scientific expertise resident in these laboratories, in addition to publicizing the availability of user facilities and technological projects in ~~[process]~~ progress, and

(6) the National Laboratories have demonstrateed successes in technology transfer into the private sector but the effort can be significantly enhanced if--

(A) industry becomes more aware of the laboratories research and development projects and capabilities;

(B) technology transfer is considered a significant part of the laboratory's mission;

(C) the laboratories become better educated in industry market requirements; and

(D) industry gets involved with the laboratories early enough in the research and development process to direct development of commercially viable products.

Sec. 401. FINDINGS.

DOE comments: Objectionable--Finding (2) should be deleted. It states that management authority must be granted to the Lab Directors so they can negotiate cooperative R & D agreements. We object to giving all authority to the Lab Directors.

7/8/88 Domenici staff comment:

Modify Finding (2) to make clear that the management authority is delegated from the Secretary to the Lab Directors and that oversight is explicitly retained.

Updated response from DOE.

SEC. 402. PURPOSE.

The purpose of this title is to better meet the continuing responsibility of the Federal Government to ensure the full use of the results of the Nation's Federal investment in the National Laboratories' research and development in meeting international competition.

Sec. 402. PURPOSE.

DOE comments:None.

SEC. 403. POLICY.

It is the policy of Congress that

(1) intellectual property rights in technology [~~or devices~~] developed at the National Laboratories be [~~controlled in a manner that promotes~~] managed so as to promote [~~the use of such technology and devices to improve~~] the competitiveness [~~advantage~~] of [~~the~~] United States industries [~~.~~] ;

(2) the Secretary of Energy promulgate policy guidelines dealing with cooperative research and development agreements and intellectual property rights arising under such agreements; and

(3) the Laboratory Directors devise implementing procedures consistent with the policy guidelines set forth by the Secretary;

Sec. 403. POLICY.

DOE comments on original text: None.

7/8/88 Domenici staff comment: (2) and (3) were added to clarify the overall direction of the legislation.

Sec. 404. DEFINITIONS.

For purposes of this title--

(1) The term "invention" means any invention which is or may be patentable or otherwise protected under Title 35, United States Code, or any novel variety of plant which is or may be protectable under the Plant Variety Protection Act (7 U.S.C. 2321 et seq.).

(2) The term "subject invention" means any invention of a National Laboratory first conceived or reduced to practice in the performance of work under a contract or funding agreement for the operation of a National Laboratory.

(3) The term "made" when used in conjunction with any invention means the conception or first actual reduction to practice of such invention.

(4) The term "technical data" means recorded information of a scientific or technical nature regardless of form or the media on which it may be recorded.

(5) The term "commercially valuable technical data" means applied technology which may have near term commercial value or which arose under a cooperative research and development agreement. The term does not apply to basic technology.

[~~(5)~~] (6) The term "computer software" means recorded information regardless of form or the media on which it may be recorded comprising computer programs or documentation thereof.

[~~(6)~~] (7) The term "intellectual property" means patents, trademarks, copyrights, trade secrets, mask works, and other forms of comparable [~~intellectual~~] property rights [~~enacted by Congress or the States~~].

[~~(7)~~] (8) The term "collaborative party" means a party to a cooperative research and development agreement as defined in paragraph (4).

[~~(8)~~] (9) The term "laboratory owned" means any rights in intellectual property conveyed under this title to a contractor operating a National Laboratory or any rights in intellectual property arising under the operating contract for a National Laboratory where rights are not expressly taken by the United States Government or by a subcontractor.

Sec. 404. DEFINITIONS.

DOE Comments: Requires Clarification - The definition of "intellectual property" improperly equates all forms of intellectual property. The inclusion of "trade secrets" and "intellectual property enacted by . . . the states", in conjunction with secs. 401 and 408 creates (1) potential new and substantial liabilities for the Government and/or its contractors; (2) a new "closed" approach to operation of the Labs and handling Lab-produced technical data; (3) a new requirement that such data be exchanged only with nondisclosure agreements; and (4) limits the ability of contractors to build on research and data produced by another lab.

The definition of "laboratory owned" should be modified by inserting "expressly" before "conveyed" and striking everything after "National Laboratory" because the Lab can only own rights they expressly are given by the Government.

Domenici staff response:

The definition of intellectual property does not equate all forms of intellectual property, but merely lists types that are covered by the definition. This does not require that all types of intellectual property be handled in the same way.

7/8/88 Domenici staff update:

In order to limit the "closed approach" and to limit the scope of this provisions relating to technical data, the language has been limited to include only applied research of near term commercial value. Elsewhere in the bill, the time frame is limited to two years.

Protection of technical data is imperative if industry is going to be willing to use the labs. Clearly some accommodation has to be made in this area to meet the needs of industry in the tech data area.

SEC. 405. * COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS.

(a) General Authority.--The Secretary of Energy shall [permit] develop policy guidelines under which he shall delegate the authority to the Director of any of its National Laboratories:

(1) to enter into cooperative research and development agreements and to negotiate the terms and conditions of such agreements on behalf of the Department of Energy with--

(A) other federal agencies;

(B) units of state or local government;

(C) industrial organizations including corporations, partnerships, and limited partnerships, consortia, and industrial development organizations;

(D) public and private foundations;

(E) nonprofit organizations including universities; or

(F) other persons including licensees of inventions, technical data or computer software owned by the National Laboratory; and

(2) to negotiate intellectual property licensing agreements for National Laboratory owned inventions, technical data or computer software, assigned or licensed to

the National Laboratory by third parties including voluntary assignment by employees.

(b) Specific Authority.--Under cooperative research and development agreements entered into pursuant to subsection (a)(1), the Director of a National Laboratory may--

(1) accept, retain, and use funds, personnel, services, and property from collaborating parties and provide personnel, services, and property to collaborating parties;

(2) grant or agree to grant in advance to a collaborating party, intellectual property licenses or assignments, or options thereto, in any invention, technical data or computer software, made in whole or in part by a National Laboratory employee under the cooperative research and development agreement; and

(3) to the extent consistent with Department of Energy requirements and standards of conduct, permit employees or former employees of the National Laboratory to participate in efforts to commercialize inventions, technical data or computer software, they made while in the service of the National Laboratory.

(c) In determining whether to enter into a cooperative research and development agreement the Laboratory Director shall determine that--

(1) facilities at the National Laboratory are available to do the work that is the subject of the cooperative research and development agreement;

(2) the work that is the subject of the cooperative research and development agreement would not interfere with Department of Energy programs;

(3) the work that is the subject of the cooperative research and development agreement would not create a future detrimental burden on the National Laboratory;

(4) the proposed cooperative research and development agreement is consistent with other guidelines that the Secretary of Energy may prescribe consistent with the policies set forth in this Act.

~~[(c)]~~ (d) Approval of Agreement by Secretary.--~~[(1) If the value of an agreement entered into under this section does~~

~~not exceed $1,000,000, the agreement shall not be subject to the approval of the Secretary of Energy.~~

~~(2) When the value of the agreement exceeds $1,000,000, but does not exceed $10,000,000 (the maximum amount for a cooperative research and development agreement), t~~]

The Secretary of Energy or his designee may disapprove or require the modification of the agreement. The agreement shall provide a 30-day period beginning on the date the agreement is presented to the Secretary of Energy or his designee by the [~~head~~] Laboratory Director of the National Laboratory concerned, within which such action shall be taken. In any case in which the Secretary of Energy or his designee disapproves or requires the modification of any cooperative agreement presented under this section, the Secretary or his designee shall transmit a written explanation of such disapproval or modification to the [~~head~~] Laboratory Director of the National Laboratory concerned. If such action is not taken within this thirty day period, the cooperative research and development agreement shall be deemed approved.

[~~(d)~~] (e) Limit on Percentage Of the Total Work Cooperative Reserach and Development Agreements Can Comprise atthe National Laboratories. The cumulative total of non-appropriated funds of all agreements entered into by each

National Laboratory Director under this section shall not exceed an amount equal to 10 percent of that laboratory's annual budget.

[~~(e)~~] Records of Agreements.--Each National Laboratory shall maintain a record of all agreements entered into under this section, and shall submit it to the Secretary of Energy on an annual basis.

Sec. 405. COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS.

DOE Comments:

Sec. 405. (a), (c), and (d) --Objectionable -- Allows Lab Directors to enter into cooperative R&D Agreements and to waive DOE intellectual property rights. This provisions applicable to all areas of research is objectionable for the same reasons as sections 109 and 110 and also because it purposes to allow one private party to convey ownership rights of the Government to another private party. It is unclear whether the limitation in section 405(d) refers to nonappropriated or DOE funds.

Section 405(b) and (e). Objectionable -- Allows Lab Director to negotiate intellectual property licensing agreements, exchange personnel and services, license or assign the rights to lab developments, and permit Lab employees to participate in commercialization efforts for lab developments. These activities already are taking place at some DOE Labs, but they require some degree of DOLE oversight. As written, the legislation does not even assure DOE will be notified of the agreements.

7/8/88 Domenici staff response:

The authority to enter into the cooperative agreements has been changed from a Congressional grant of authority to the Laboratory Directors to a Congressional mandate that the Secretary delegate that authority to the Laboratory Directors.

The Laboratory Directors are required to submit a record of all agreements to the Secretary annually.

The two tier system dealing with approval of research and development agreements is eliminated and the Secretary is given an 30-day approval process patterned after current law.

SEC. 406. CONTRACT CONSIDERATIONS.--(a) Regulations and Procedures.--(1) [~~The Office of Federal Procurement Policy~~] The Secretary of Energy may issue regulations or set forth suitable procedures for implementing the provisions of Section 405 [~~(a)(1)~~] after public comment. Implementation of Section 405 [~~(a)(1)~~] shall not be delayed until issuance of such regulations.

(2) Any regulations covering National Laboratory cooperative research and development agreements under Section 405 [~~(a)(1)~~] shall be guided by the purpose of this Act.

(3) In the event the Department of Energy regulations referred to above are not promulgated within one year from date of enactment of this Act, the responsibility for issuing regulations shall be transferred to the Office of Federal Procurement Policy.

(b) Agreement Considerations.--The Director of the National laboratory in deciding what cooperative research and development agreements to enter into shall:

(1) give special consideration to small business firms and consortia involving small business firms; and

(2) give preference to business units located in the United States, which agree that products embodying inventions, technical data or computer software, made under the cooperative research and development agreement or produced through the use of such inventions, technical data or computer software, will be developed and manufactured substantially in the United States.

(3) in the case of any industrial organizations or other person subject to the control of a foreign company or government, as appropriate, take into consideration whether or not such foreign government permits United States agencies, organizations, or other persons to enter into cooperative research and development agreements and licensing agreements; and

(4) ~~provide universities the opportunity to~~ participate in such cooperative ~~agreements~~ when such participation will contribute to the purpose of this legislation.

(c) Record of Agreements.--The ~~[Department of Energy]~~ Director of each National Laboratory shall maintain a record of all agreements entered into under this section and submit it to the Secretary of Energy on an annual basis.

Sec. 406. CONTRACT CONSIDERATIONS.

DOE Comments: Objectionable--authorizes OFPP to issue implementing regulations. As this bill deals totally with the Department of Energy (DOE), any policies or regulations should be issued by DOE; the OFPP has neither the capability nor the regulatory mechanisms available to it within the Federal procurement system to accomplish the bills' requirements.

7/8/88 Domenici staff response:

Allow DOE one year to work with the other agencies to promulgate appropriate regulations. However, the bill would provide that in the event that the regulations are not promulgated the responsibility would be transferred to OFPP. This strict time frame is required since other sets of regulations in this area have taken years and years to promulgate. There are assertions that DOE has been unwilling to negotiate modifications to proposed regulations in the technology transfer and class waiver areas.

DOE Comments:

The requirement that DOE maintain records of all cooperative agreements is impossible if DOE is not required to be informed of all agreement.

7/8/88 Domenici Response:

The text of the bill has been changed to place the responsibility for maintaining the records on the Laboratory Director and to require that he submit the records annually to the Secretary of Energy.

SEC. 407. PATENT OWNERSHIP AND THE CONDITIONS OF OWNERSHIP.--

(a) Disposal of Title to Inventions.--Notwithstanding section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182), section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908), or other provision of law, the Secretary of Energy shall dispose of the title to any subject invention made in the performance of a Department of Energy contract to operate any National Laboratory in the same manner as applied to small business and nonprofit organizations under Chapter 18 of title 35, United States Code.

(b) Retention of Title by United States.--(1) Whenever a National Laboratory makes an invention to which the Department of Energy has determined to retain title at the time of contracting--

(A) for exceptional circumstances under section 202(a)(ii) of title 35, United States Code; or

(B) because the invention is made in the course of or under a funding agreement described in section 202(a)(iv) of title 35, United States Code,

the title to such invention shall be retained by the Government unless the National Laboratory at which the invention is made

requests title to such invention and the Secretary of Energy does not notify the National Laboratory within 90 days of such request that the invention is covered by an exceptional circumstances determination or has been designated sensitive technical information as authorized by Federal statutes other than those involving export control.

(2) The Secretary may not use export control statutes or regulations as [~~a~~] the sole basis for refusing a request for title.

(3) The Secretary may not retain title to a subject invention under the exception set forth at Section 202(a)(iv) of title 35, United States Code, without first determining that the invention has been classified or has been designated sensitive technical information as authorized by applicable statutes [~~other than those involving export control~~]. If the Secretary does not notify the requesting National Laboratory, the laboratory shall be deemed to have elected title to the invention under the Government-wide contractor patentable ownership provisions of chapter 18 of title 35, United States Code.

Sec. 407. PATENT OWNERSHIP AND CONDITIONS.

DOE Comments: Objectionable -- Allows Lab Directors to retain title to an invention upon request, unless the Secretary gives notification within 90 days that the invention is covered by an exceptional circumstances determination or is designated sensitive technical information. This removes the exception in Chapter 18 of title 35, U.S.C. for weapons and naval nuclear propulsion related inventions. The burden should not be on the Secretary to justify refusal of a title request, nor should he be precluded from using justifications such as non-proliferation export control status or any other national security determination where DOE believes national security could be compromised. Export control statues ordinarily would not prevent title transfer to a private individual. Labs may retain title indiscriminately on all work done at the lab and thus prevent transfer of title to a cost-sharing industrial party or a party fully reimbursing for cost of work. This could be detrimental to commercialization and to private sector access to the Labs.

Domenici staff response:

This section is modeled after current law in Title 35, section 200 et. al. and specifically references section 202(a)(iv), which relates to weapons and naval nuclear propulsion funds. The nuclear weapons exception is not repealed.

This provision does not do away with the contractors' obligation to abide by export control statutes, and, consequently, should not be used as a rationale for precluding title transfer.

Labs may not retain title indiscriminately because if technology is not being effectively commercialized, DOE may exercise "march-in rights" which means that DOE could retake title.

Proposed changes:

Replace, in section 407(b)(2), the phrase "regulations as a basis" with "regulations as the sole basis."

Delete, in section 407(b)(3), the phrase "other than those involving export control."

SEC. 408. TECHNICAL DATA OR COMPUTER SOFTWARE AND THE CONDITIONS OF OWNERSHIP--(a) Rights Retained by a National Laboratory.--Notwithstanding any other provision of law, the Secretary of Energy shall delegate the authority to permit a National Laboratory to elect ownership to any intellectual property rights that can be established to protect commercially valuable technical data or computer software obtained or generated under a Department contract for the operation of such National Laboratory subject to a royalty free license to use and reproduce such technical data or computer software for United States Governmental purposes.

(b) Protection of Technical Data and Computer Software--(1) Technical data or computer software obtained or generated by a National Laboratory shall not be disclosed to the public if the Director of the National Laboratory or his designee determines that--

(A) the technical data or computer software is commercially valuable; [~~and~~] or

(B) the technical data has been generated as a result of or under a cooperative reserach and development agreement; and

[~~(B)~~] (C) there is a reasonable expectation that disclosure of the technical data or computer software could cause substantial harm to the commercial application of such information.

(2) A cooperative research and development agreement which provides that technical data or computer software which meets the conditions of paragraph (1) obtained or generated--

(A) by the Department of Energy or the National Laboratory pursuant to shcu cooperative research and development agreement; or

(B) under a National Laboratory cooperative research and development,

shall not be disclosed to the public for a period of 2 years.

(3) Documentation disclosing technical data or computer software subject to nondisclosure under paragraphs (1) and (2) shall not be considered as agency records under the Freedom of Information Act during the term of nondisclosure to the public.

(c) Regulations.--[~~The Office of Federal Procurement Policy,~~] (1) The Department of Energy, in cooperation with

~~other interested federal agencies, shall issue within 180 days after the date of enactment of this title including 30 days for public comment,~~ regulations establishing a standard contract clause to implement ~~[this]~~ sections 407 and 408 in the Department of Energy contract for the operation of any National Laboratory.

(2) In the event the Department of Energy regulations are not issued within the time prescribed the sole responsibility shall be transferred to the Office of Federal Procurement Policy.

Sec. 408. TECHNICAL DATA.

DOE comments: Sec. 408(a) and (b). Objectionable. Allows Labs to elect ownership to intellectual property rights protecting technical data (including software) generated under a DOE operating contract. The data also would be exempt from FOIA disclosure if the Lab Director determines it has commercial value and that disclosure could cause harm. This section also would allow data developed under a cooperative agreement to be exempt from FOIA if the agreement so provides. Any FOIA exemption should apply only for a limited time period. Vesting labs with ownership of intellectual property rights would not necessarily speed the flow of underlying data to the private sector for commercialization and thus, would harm competitiveness. Also the needs of other researchers to share in data should be protected. The license right retained by the Government may not be adequate in some instances, such as trade secrets, to ensure that the Government or our contractors legally could enhance prior developed technology or create derivative works. A conflict-of-interest could arise in allowing labs to decide whether FOIA disclosures should be made. Labs would have no reason to disclose information they could otherwise sell or use in negotiating cooperative agreements. The provision in sec. 408(b)(2) is unclear.

Sec. 408(c). Objectionable --Charges OFPP with issuing implementing regulations. DOE should issue any needed regulations.

Sec. 408 Domenici staff proposed revisions:

Provisions related to FOIA need to be discussed with DOE and Senator Leahy's staff.

With the new definition of commercially valuable technical data many of the issues raised are addressed. First, only applied rather than basic research is covered. Second, a sunset is included to afford protection only for two years.

With regard to comments about section 408(b)(2) language has been added so that the the purpose is clearer. Information that can be protected is that which is commercially valuable or when disclosed could harm commercial application and has been generated as a result or under a cooperative research and development agreement.

408(c) Regulations. A compromise is offered that would allow DOE the first opportunity to promulgate the regulations. A provision is included that in the event DOE does not meet the deadline, the regulation promulgating responsibility will be moved to the OFPP. The need for this has been discussed elsewhere.

SEC. 409. SPECIAL RULE FOR WAIVER OF GOVERNMENT LICENSE RIGHTS.--

Any of the rights of the Government or obligations of a National Laboratory described in chapter 18 of title 35, United States Code, including the license reserved in section 202 (c) (4) of title 35, United States Code, may be waived or omitted if the Secretary of Energy determines that the interests of the United States and the general public will be better served or the objectives and policies of this title will be better promoted by such waiver or omission. A waiver or omission shall be considered--

(1) if it is necessary to obtain a uniquely or highly qualified contractor; or

(2) if invention involves cosponsored, cost sharing or joint venture research and development, and the contractor, cosponsor or joint venturer is making substantial contribution of funds, facilities or equipment to the work performed on the invention; or

(3) if the invention will require substantial additional investment in development before a product is created and it is expected that the primary market for such product is the United States Government.

Sec. 409. SPECIAL RULE FOR WAIVER.

DOE Comments: Sec. 409. Suggested Clarification--Allows the Secretary to waive Government rights or lab obligations where in the best interest of the United States. DOE does not know of any situations where such a waiver would be in the best interests of the United States or where DOE programs have suffered because of Government licensing rights.

Domenici staff response.

Sec. 409. Similar provision is found in the Federal Non-nuclear Energy Act of 1974, Section 9(h)(2). This section would only be used in rare cases.

Purpose is to allow the government maximum flexibility in cases where the government was the only logical or probable customer for a product that would require considerable additional development costs. There would be little or no incentive for industry to further develop these products, if the government already had a paid-up license. This was designed to give added discretion to the government.

SEC. 410 . INTELLECTUAL PROPERTY CONTRACT PROVISIONS.

(a) Contract Provisions.--Any Department of Energy [~~contract~~] funding agreement to operate a National laboratory shall provide--

(1) that any royalties or income that is earned by the National Laboratory from the licensing of laboratory-owned intellectual property rights in any fiscal year shall be used as authorized under subsection 202(c)(7)(E) of title 35, United States Code and section 13(a)(1)(B)(i)-(iv) and section 13(a)(2)-(4) of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3710c(a)(1)(B)(i)-(iv) and 3710c(a)(2)-(4);

(2) that the costs of obtaining and protecting intellectual property rights in any invention, technical data or computer software, owned by the National Laboratory shall be paid for by [~~the Department of Energy to the extent not offset by royalty income earned from the licensing of National Laboratory-owned intellectual property rights;~~] the National Laboratories under standard operating funds or as a cost shared expense under a cooperative research and development agreement;

(3) that Department of Energy establish procedures to have the management of intellectual property rights, including procurement and retention of such rights as well as licensing of such rights, in connection with laboratory-owned inventions, commercially valuable technical data and computer software shall be the responsibility of the Director of the National Laboratory at which the invention, technical data, or computer software are made, developed or assigned.

(b) Compensation.--(1) Subject to paragraph (2), in return for retaining title to any intellectual property rights in any invention or discovery made in performance of a Department of Energy cooperative research agreement, the National Laboratory contractor shall pay to the United States reasonable compensation based on the value of the technology transferred. The amount of the payment arising as a result of the transfer shall be set by an arbitration board consisting of one member selected by the contractor, one member selected by the Secretary of Energy, and one member jointly selected by the contractor and the Secretary. In determining the payment, the arbitration board shall set an amount that is proportionate with the research and development costs funded by the United States. The arbitration board shall have discretion to permit the payment to be made in installments according to the extent the contractor uses or employs the intellectual property.

(2) Provided that this subsection shall not apply if:

(A) the contractor is operating the National Laboratory for no profit or fee beyond expenses; and

(B) the contractor is offering the intellectual property for fair market value and any value or royalties the contractor derives from the intellectual property will be returned to the National Laboratory or the Federal Treasury in accordance with Section 202(c)(7)(E) of title 35, United States Code.

SEC. 410. INTELLECTUAL PROPERTY.

DOE Comments:

Sec. 410(a). Objectionable - Would require any Lab operating contracts to include provisions that, inter alia , would require DOE to pay costs of obtaining and protecting intellectual property rights in Lab-owned inventions, to the extent not offset by royalty income. The Government has never, nor should it now, pay such costs for private parties. This could subject the Government to enormous expense in patent infringement suits concerning intellectual property over which DOE has no control or review authority

Domenici response:

It is understood that DOE is already subject to the risks mentioned and this bill does not change that. Since all benefits are returned to the Treasury and the beneficial interest goes to the laboratory it is unclear what DOE's objection really is.

The patents could be issued with no warranties in exchange for lower royalty rates. We are confident that DOE could develop suitable guidelines and regulations.

DOE comments:

Section 410(b). Suggest Clarification -- Would require contractors to pay reasonable compensation to the U.S. for intellectual property rights except if they are operating the lab for "no profit" and are offering the intellectual property at a fair market value and returning any royalties to the Lab or U.S. Treasury. This is a good concept, but it could be very difficult to ascertain when the exception would apply. A better approach would be simply to require a return to the Treasury of a certain percentage of the United States funds invested. This section proves that cooperative agreements would be presumed to include federal funds.

Domenici staff response:

410(a)(2) adopt a DOE suggestion that the costs of obtaining and patenting be treated as a standard operating funds expense or as a cost shared expense under a cooperative research and development agreement.

Regarding comments on section 410(b), this language was included to insure that the laboratories are not making any profit from the commercialization of a product based upon a lab development, that would end up benefiting the contractor-operator of the lab, and give this contractor a competitive advantage over other firms. Senator Metzenbaum was particularly concerned about this possibility.

SEC. 411. MARCH-IN RIGHTS.

(a) Rights.-- Each funding agreement for the operation of a National Laboratory shall contain a provision allowing the Department of Energy to require the licensing of the intellectual property rights to third parties of inventions, technical data, or software owned by the contractor that are subject to the provisions of this title. Such provision will ensure that the technology is licensed and commercialized by affording similar Federal march-in rights provided for inventions under section 203, title 35, United States Code, but will be applicable to all intellectual property for which title was acquired by the National Laboratory Directors under this title.

(b) Definition of Third Parties.--For the purposes of this section, "third parties" and "third party applicants" are domestic entities located in the United States whose research, development and manufacturing activities occur substantially in the United States. Domestic entities include: industrial organizations, corporations, partnerships and limited partnerships and industrial development organizations; public and private foundations; nonprofit organizations such as universities and consortia.

(c) Regulations.-- [~~The Office of Federal Procurement Policy,~~] ( ) The Department of Energy, in cooperation with other interested federal agencies, shall issue within 180 days from enactment including thirty (30) for public comment, regulations to implement the march-in rights under this section.

( ) In the event the Department of Energy does not issue the regulations referred to above in the prescribed time frame, the responsibility for issuing the regulations shall be transferred to the Office of Federal Procurement Policy.

Sec. 411. MARCH-IN RIGHTS.

DOE Comments:

Sec. 411(a) and (b). Suggested Clarification -- Would require march-in rights for DOE. This should be clarified to require licensing of the "intellectual property rights to" inventions, technical data or software.

Sec. 411(c) Objectionable. Would allow OFPP to issue regulations in cooperative with other Federal agencies. DOE should issue any needed regulations.

7/8/88 Domenici staff response:

The suggested clarifications are adopted.

SEC. 412. EFFECTIVE DATE.--This title shall take effect on the date of enactment. The Secretary of Energy shall immediately enter into negotiations with the contractors of the National Laboratories to amend all existing contracts for the operation of the National laboratories, to reflect this Title. Pending such amendment, the provisions of this Title shall govern the disposition of all intellectual property rights covering laboratory-owned inventions, technical data, and computer software, generated in performance of Department of Energy contracts for the operation of the Department of Energy National laboratories.