

APPENDICES OF COMBINED REPORT ON
GOVERNMENT PATENT POLICY

Presidential Memorandum and Statement of Government Patent Policy of 1971.

Amendment to the Federal Property Management Regulations Governing the Licensing of Government-owned Patents Issued by the Administrator of General Services on October 1, 1975.

[Implements section 2 of the 1971 Presidential Patent Policy Statement which directs the Administrator of General Services to issue comprehensive patent licensing regulations. The provisions for granting limited exclusive licenses have been modified to (1) require the payment of royalties or other consideration to the Government, and (2) retain the right to sue for infringement in the Government.]

Amendment to the Federal Procurement Regulations Issued by the Administrator of General Services on May 7, 1975.

[Implements the 1971 Statement and, subject to statutory requirements, prescribes the standard patent rights clauses for Government-wide use. Numerous revisions, made after considering comments received in response to a solicitation for comment, are identified.]

Draft Bill Entitled "Federal Intellectual Property Policy Act of 1976."

[The draft bill, developed by the Committee on Government Patent Policy, was submitted to the Office of Management and Budget and circulated for agency comment. On April 6, 1977, Congressman Thornton introduced H.R. 6249 (an identical bill, H.R. 8596, was introduced on July 28, 1977) which, while differing in several significant substantive areas, includes most of the basic policy concepts of the Committee's draft. During December 1977, Senator Nelson started hearings on Federal Patent Policy. Subsequently, on September 13, 1978, Senators Dole and Bayh introduced S. 3496 which relates to certain aspects of Federal patent policy. On October 14, 1978, Senator Schmitt introduced S. 3627 which is related to Federal patent policy and technology transfer. Comments on the bill are being solicited and a revised bill is to be reintroduced early in the 96th Congress.]

It is further noted that on August 8, 1978 the successor Committee on Intellectual Property and Information of FCCSET was requested to coordinate its new effort to arrive at an agreed recommendation for Federal patent policy with the Domestic Policy Review of Industrial Innovation.]

Executive Branch Positions with Respect to Recommendations 1 through 16 of Part I of Volume IV of the Report of the Commission on Government Procurement.

[The Office of Federal Procurement Policy has the primary responsibility for implementing the Executive Branch position on all of the Commission recommendations. Continuing efforts

(over)

are being made to implement the Executive Branch positions, either by Administrative action or by seeking appropriate legislation. It is noted that this appendix provides background material, an analysis of the practices and policy issues, and citations to pertinent regulations and statutory requirements, not readily found elsewhere.]

Membership Lists of the Subcommittees and Working Groups of the Committee on Government Patent Policy.

Report of the Background Patent Rights Ad Hoc Subcommittee Regarding the Acquisition of Background Patent Rights in R&D Contracts.

[Provides an analysis of the policy issues of acquiring background patent rights from a Federal contractor for use either by the Government or the public. Various alternative policies are discussed, however, regulations which would implement the alternative policies were not developed.]

Report of the University Patent Policy Ad Hoc Subcommittee.

[Implemented by Amendment 187, January 20, 1978, to the Federal Procurement Regulations (43 F.R. 4424, February 2, 1978) which prescribes a form for Institutional Patent Agreements for discretionary use by the agencies.]

Report Regarding the Implementation of the Executive Branch Position of Recommendation I-3 of the Commission on Government Procurement Report.

[Recommends that agencies obtain information concerning the commercialization of inventions made as a result of a Federal R&D contract, via a questionnaire, on all those patented inventions on which the contractors retained title.]

Statistical Report of the Data Collection and Analysis Subcommittee.

[Analyzes data and sets forth trends of agency patent practices while operating under the Presidential Patent Policy Statement and/or statutory requirements.]

Current Statutes, Regulations, Orders, Manuals, Memorandums, and Materials Governing Allocation of Rights to Inventions Arising from Government-sponsored Research.

[Identifies the diverse policies and regulations of the many R&D Federal agencies. It also identifies the office within the agency which is primarily responsible for intellectual property matters.]

VI

TITLE 41 - PUBLIC CONTRACTS AND PROPERTY MANAGEMENT
CHAPTER 1 - FEDERAL PROCUREMENT REGULATIONS
DISPOSITION OF PATENT RIGHTS

Disposition of comments received by
GSA and the Rationale therefor, as
finally approved by the Implementation
Subcommittee during its June 5, 1973
meeting.

This amendment of the Federal Procurement Regulations prescribes policies, procedures, and appropriate contract clauses concerning the disposition of rights in inventions, which enable the Government agencies to implement the President's Statement of Government Patent Policy (36 F.R. 16887, August 26, 1971).

The table of parts is revised to add the following entry:

1-9 Patents, Data, and Copyrights.

Part 1-9 is added which reads as follows:

PART 1-9 - PATENTS, DATA, AND COPYRIGHTS

§ 1-9.000 Scope of part.

<u>SUBMITTED BY</u>	<u>COMMENT</u>	<u>DISPOSITION</u>	<u>RATIONALE</u>
INTERIOR	Line 6, after Part 1-9, delete /is added which/ This is an editorial change.	Rejected	Clarity enhanced by retention.

TITLE 41 - PUBLIC CONTRACTS AND PROPERTY MANAGEMENT
 CHAPTER 1 - FEDERAL PROCUREMENT REGULATIONS
 DISPOSITION OF PATENT RIGHTS
 PART 1-9 - PATENTS, DATA, AND COPYRIGHTS
 SUBPART 1-9.1 - PATENTS

Table of Contents

<u>Section</u>	<u>Page</u>
1-9.100 Scope of subpart.....	3 - 4
1-9.101 (Reserved)	
1-9.102 (Reserved)	
1-9.103 (Reserved)	
1-9.104 (Reserved)	
1-9.105 (Reserved)	
1-9.106 (Reserved)	
1-9.107 Patent rights under contracts for research and development.....	5
1-9.107-1 Introduction.....	6 - 7
1-9.107-2 (Reserved)	
1-9.107-3 Policy.....	8 - 24
1-9.107-4 Procedures.....	25 - 41
1-9.107-5 Clauses for domestic contracts.....	42 - 136
1-9.107-6 Agencies subject to statutory and treaty requirements.....	137
Effective date.....	138
Comments without reference to specific sections of the proposed regulations.....	139 - 161

(Multiple pages 61a, 104a)

PART 1-9 - PATENTS, DATA, AND COPYRIGHTS

SUBPART 1-9.1 - PATENTS

§ 1-9.100 Scope of subpart.

This subpart sets forth policies, procedures, and contract clauses with respect to inventions made in the course of or under a contract, agreement, grant, or other arrangement or subcontract entered into with or for the benefit of the Government where a purpose is the conduct of experimental, developmental, or research work.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN) (&) (WERTH)	<p>It is recommended that the statement of the subpart's scope read as follows to relate it more closely to introduction to Section 1 of the President's Policy Statement and relate it more completely to the scope of the Statement and the proposed patent licensing regulation:</p> <p>Subject to specific statutes governing the disposition of patent rights in certain Government agencies, this subpart sets forth policies, procedures, and contract clauses with respect to licenses under or other rights to inventions made or conceived in the course of or under Government research and development contracts where such licenses or other rights to such inventions are granted to or provided for in the contract and acquired by the party contracting with the Government agency.</p>	Substantially adopted	Section 1-9.107-1(b) has been added to clearly identify the relationship of this regulation to statutes and treaties.

§ 1-9.100 Scope of subpart (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	<p>It has never been clear whether the Presidential Statement on Patent Policy was to apply to co-sponsored research or development efforts. While we recognize that it may be possible to argue that co-sponsored work falls under exceptional circumstances of §1-9.107-3(a), we do not consider that this is a completely satisfactory solution. Therefore, it is suggested that a statement be included in the FPR to indicate that the patent policy specified in the FPR is required only when the Government funds a substantial part of the contractual effort. If the Government's contribution to a co-sponsored effort is not substantial, the agencies should be given wide discretion to adopt appropriate patent provisions.</p>	Substantially adopted	Section 1-9.107-1(c) has been added to give agencies discretion in selecting patent clauses to be used in co-sponsored research situations where equity requires the use of such clauses.
INTERIOR	<p>§ 1-9.100 is not fully in accord with the exceptions allowed by § 1-9.107-6. Thus, it is recommended that the following be added at the end of the paragraph:</p> <p>-- <u>with the exception of inventions arising from work under such arrangements governed by specific statutes or treaty requirements</u> --</p>	Substantially adopted	See Rationale to Justice comment on page 3.

- § 1-9.101 (Reserved)
- § 1-9.102 (Reserved)
- § 1-9.103 (Reserved)
- § 1-9.105 (Reserved)
- § 1-9.106 (Reserved)

SECTION 1-9.107

§ 1-9.107 Patent rights under contracts for research and development.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
--------------	---------	-------------	-----------

57

§ 1-9.107-1 Introduction.

On August 23, 1971, the President promulgated a Statement of Government Patent Policy (36 F.R. 16887, August 26, 1971) applicable, subject to statutory requirements, to all executive departments and agencies which comprises a revision of a prior Statement of Policy (28 F.R. 10943, October 12, 1963). Essentially, the goals of this Statement of Government Patent Policy are to provide criteria for determining the disposition of rights in inventions resulting from federally sponsored research and to promote the expeditious development of such inventions to the point of practical application so that the public can benefit from early civilian use of the inventions. Within prescribed limits, the policy now gives agency heads greater latitude to grant such additional rights to Government-sponsored inventions, as are deemed necessary to encourage commercial use of the inventions.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN) (&) (WERTH)	<p>In capsulizing the goals of the President's Statement of Government Patent Policy, §1-9.107-1 emphasizes the granting of additional rights by the Government to encourage the expeditious development and commercial use of inventions. It ignores the need to promote healthy competition as a factor to be weighed with the need for the granting of such additional rights to industry to draw forth private initiatives. Both factors are equally emphasized in the "Basic Considerations" of the Presidential Statement. It is suggested that beginning with the second sentence, the section be changed to read as follows:</p> <p>Essentially, the goal of this Statement of Government Patent Policy is to provide criteria for determining the disposition of rights in inventions resulting from federally-sponsored research. In promoting the expeditious development of such inventions to the point of practical application so that the public can benefit from</p>	Substantially adopted	Suggested change introduces general criteria set forth in "Basic Considerations" of Presidential Statement which would be of assistance to agency heads. Modifications made largely to achieve brevity.

§ 1-9.107-1 Introduction. cont'd.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN) (&) (WERTH)	early civilian use of the inventions, agency heads must weigh in the disposition of patent rights under Government contracts both the need for incentive to draw forth private initiatives to this end, and the need to promote healthy competition in industry.		
CODSIA	§ 1-9.107-1, line 7, after the word "grant", delete /such/ and insert -- <u>to Contractors</u> --.	Adopted	Clarification
	line 8, after "inventions," insert -- <u>or where equitable circumstances would justify such allocation of rights,</u> --.	Adopted	Provides greater consistency with the language of the Presidential Statement.

§ 1-9.107-2 (Reserved)

§ 1-9.107-3 Policy.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
USDA	<p>Section 1-9.107-3 of the proposed regulations is substantially a verbatim copy of Section 1 of the President's Policy Statement which prescribes the criteria for administrative determinations whether the Government or the contractor acquires the principal patent rights to inventions made by a contractor during the performance of federally-funded research and development.</p> <p>Neither this section nor the corresponding section of the President's Policy Statement applies to the Department of Agriculture because the Research and Marketing Act of 1946, as amended (7 U.S.C. 427i and 1624), requires that research contracts made by the Department "shall contain requirements making the results of research and investigations available to the public through dedication, assignment to the Government, or such other means as the Secretary shall determine." We have construed the quoted statement to preclude acquisition of title to inventions by a contractor under any conditions and to require that the Government obtain the entire right, title, and interest throughout the world. Accordingly, promulgation of the proposed regulations by GSA would not affect the present policy of the Department.</p>	Commentary only	See revised § 1-9.107-1(b) which provides that statutory requirements will be considered in the application of the subpart.

§ 1-9.107-3 Policy. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	<p>The Policy statement of § 1-9.107-3 is merely a restatement of the basic policy of the President's Memorandum. Very little guidance is given to the contracting officer on the use of such items as exceptional circumstances, methods for appealing a contracting officer's decision to use a specific clause, use of the special domestic license and provisions concerning foreign rights, and the determination to grant greater rights to a contractor. It would appear necessary that either the FPR provide additional guidelines in the above-noted areas to the contracting officer or that provision be made in these regulations for the agencies to adopt implementing regulations which will specify their standards and procedures for making exceptional circumstances, greater rights, and the other decisions required by the FPR.</p>	Not Adopted	<p>Comment is deemed meritorious. However, except for "greater rights", this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation. Section 1-9.109-6 has been added to this regulation to give the agencies guidelines on "greater rights" determinations.</p> <p>A task force should be established to develop such guidelines so that greater consistency may be achieved in the agency's implementation of the Presidential Patent Policy Statement.</p>

§ 1-9.107-3 Policy. (cont'd.)

(a) The Government shall normally acquire or reserve the right to acquire the principal or exclusive rights throughout the world in and to any inventions made in the course of or under a contract where:

(1) A principal purpose of the contract is to create, develop, or improve products, processes, or methods which are intended for commercial use (or which are otherwise intended to be made available for use) by the general public at home or abroad, or which will be required for such use by governmental regulations; or

(2) A principal purpose of the contract is for exploration into fields which directly concern the public health, safety, or public welfare; or

(3) The contract is in a field of science and technology in which there has been little significant experience outside of work funded by the Government, or where the Government has been the principal developer of the field, and the acquisition of exclusive rights at the time of contracting might confer on the contractor a preferred or dominant position; or

(4) The services of the contractor are:

(i) For the operation of a Government-owned research or production facility; or

(ii) For coordinating and directing the work of others.

In exceptional circumstances the contractor may acquire greater rights than a nonexclusive license at the time of contracting where the head of the department or agency certifies that such action will best serve the public interest. Greater rights may also be acquired by the contractor after the invention has been identified where the head of the department or agency determines that the acquisition of such greater rights is consistent with the intent of this paragraph (a) and is either a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application or that the Government's contribution to the invention is small compared to that of the contractor. Where an identified invention made in the course of or under the contract is not a primary object of the contract, greater rights may also be acquired by the contractor under the criteria of (c), below.

§ 1-9.107-3 Policy (cont'd.)

(a) cont'd.

<u>SUBMITTED BY</u>	<u>COMMENT</u>	<u>DISPOSITION</u>	<u>RATIONALE</u>
NSF	§ 1-9.107-3(a)(2), it is suggested that <u>education</u> be added to the fields of public health, safety, or public welfare presently included.	Rejected	Word "education" is not specifically provided for by the Presidential Statement.

§ 1-9.107-3 Policy (cont'd.)

(a) cont'd.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
COMMERCE	In 1-9.107-3(a)(2), line 2, insert <u>public</u> before "safety". When amended, this subparagraph will read the same as Section 1(a)(2) of President's Statement of Government Patent Policy, dated August 23, 1971.	Adopted	Makes section consistent with the Presidential Statement.
VA Prosthetic & Sensory Aids Service	There is no major objection to concurrence in the proposed amendment regarding patent policies. Present patent policies, under which the Government normally takes title to subject inventions under prosthetics research contracts, presumably can continue under § 1-9.107-3(a)(2), since a principal purpose is for exploration into fields which directly affect public health. (Presumably it would be wise to have research contracts state explicitly this relation.) There seems no objection to reservation of a revocable royalty-free non-exclusive license to the contractor. (As a practical matter, we have issued such a license to an inventor of a hydraulic knee joint, and he has been the sole maker, though several potential competitors were licensed simultaneously.)	Commentary only	

§ 1-9.107-3 Policy (cont'd.)

(a) cont'd.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	<p>§ 1-9.107-3(a)(4)(ii) is silent on criteria for determining the existence of exceptional circumstances and the public interest factors warranting the certification by the department or agency head supporting the contractor's acquisition of greater rights at the time of contracting. (Here the regulation should require that the certification state in writing the facts upon which the determination to grant greater rights is based, and should require the contractor's written presentation of facts supporting his claim to such rights. Further, the regulations should require that the certification and the contractor's presentation be made matters of public record by publication in the Federal Register.) (Certification with the same requirements should apply to the granting of greater rights after identification of the invention, with the additional element that the public record should show, among the facts supporting a determination that such granting is a necessary incentive to call forth private risk capital and expense, the contractor's estimate of his costs to bring the invention to the point of practical application, or, where the Government's contribution to the invention is small compared to that of the contractor, the respective expenditures of the Government and the contractor toward the invention should be set out in the public record of the findings on which the agency head's determination is based. (For the same purpose of furthering the public interest in commercialization of inventions § 1-9.107-5(a)(c)(2)(i), discussed again below, should provide for a showing of the contractor's financial expenditures towards development to the point of practical application, etc, during the three-year period of exclusivity granted the contractor.))</p>	(a) Not adopted	Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation.
		(b) Adopted in part	A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement. See revised Section 1-9.107-4(b) - Record of Decisions - A publication in the Federal Register of agency head determinations of "exceptional circumstances" is not administratively practical.
		(c) Adopted in part	See the added provision of Section 1-9.109-6 for "greater rights" determinations and revised Section 1-9.107-4(b), Record of Decisions. Correspondence relating to such requests is a "public record" available for examination upon request under 5 U.S.C. 552 to the extent the matter requested is not specifically exempted from disclosure by statute.

§ 1-9.107-3 Policy (cont'd.)

(b) In other situations where the purpose of the contract is to build upon existing knowledge or technology to develop information, products, processes, or methods for use by the Government, and the work called for by the contract is in a field of technology in which the contractor has acquired technical competence (demonstrated by factors such as know-how, experience, and patent position) directly related to an area in which the contractor has an established nongovernmental commercial position, the contractor shall normally acquire the principal or exclusive rights throughout the world in and to any resulting inventions.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	<p>§ 1-9.107-3(b) should make clear the scope of a <u>field of technology</u> /in which the contractor has acquired technical competence (demonstrated by factors such as know-how, experience, and patent position) directly related to an area in which the contractor has an established nongovernmental commercial position. Without greater specificity, it would appear that when the contractor has only a threshold position he nonetheless could obtain rights in a broad area at time of contracting, when, in reality, he should fall into the deferred determination category of § 1-9.107-3(c).</p>	Not adopted	<p>Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation.</p> <p>A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement.</p>
AMERICAN OIL COMPANY	<p>It is hoped that the provisions of § 1-9.107-3(b) will be adopted, because companies with proprietary interests in a given area may be reluctant to bid on contracts dealing with that particular area when the Government takes full rights to patents. It is believed that if the object is to develop a commercial process or product, the best arrangement is for the contractor to receive full rights to the patents with the Government retaining a royalty-</p>	Commentary only	

§ 1-9.107-3 Policy (cont'd.)

(b) cont'd.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AMERICAN OIL COMPANY (cont'd.)	free position. In that way, the Government will receive better work and quicker results for less money, while the public will be more certain to benefit from new developments.		
JUSTICE (WERTH)	Section 1-9.107-3(b), add the following after the present text of subsection - <u>In determining whether or not a contractor has established a nongovernmental commercial position in a field of technology there shall be considered as factors (1) has the contractor a commercial business of selling goods or services in the domestic or foreign markets, outside of sales to the United States (2) is the business based upon the same knowledge, technology, and scientific principles involved in the field of technology covering the work called for by the contract, and (3) would the contractor's nongovernmental commercial position and business outlets be directly applicable in the commercial exploitation of the inventions which are likely to result from performance of the contract work.</u>	Not Adopted	Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation. A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement.

§ 1-9.107-3 Policy (cont'd.)

(c) Where the commercial interests of the contractor are not sufficiently established to be covered by the criteria specified in (b), above, the determination of rights shall be made by the agency after the invention has been identified, in a manner deemed most likely to serve the public interest as expressed in this policy, taking particularly into account the intentions of the contractor to bring the invention to a point of commercial application and the guidelines of (a), above, provided that the agency may prescribe by regulation special situations where the public interest in the availability of the inventions would best be served by permitting the contractor to acquire at the time of contracting greater rights than a nonexclusive license.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	With respect to the deferred determination category, § 1-9.107-3(c) provides an exception whereby agencies may prescribe by regulation special situations where the public interest in the availability of the inventions would best be served by permitting the contractor to acquire at the time of contracting greater rights than a nonexclusive license. With respect to these agency regulations, § 1-9.107-3(c) should supply the criteria defining these special situations and the elements involved in determining the public interest.	Not Adopted	Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation. A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement.
JUSTICE (WERTH)	Section 1-9.107-3(c), add the following to the end of the subsection - <u>A contractor's request for greater rights shall be in writing and be made part of a public record which shall include all communications pertaining to the grant of</u>	Accommodated in part	Section 1-9.109-6 has been added to the regulation to specify the contents of an application for a "greater rights" determination. Correspondence relating to a greater rights determination is a "public record" available for examination.

s 1-9.107-3 Policy (cont'd.)

(c) cont'd.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH) cont'd.	<u>such greater rights. The public record shall show that grant of such greater rights is a necessary incentive to call forth private risk capital and expense, the contractor's estimate of his costs to bring the invention to the point of practical application and, where the Government's contribution to the invention is small compared to that of the contractor, the respective expenditures of the Government and the contractor toward the invention.</u>		upon request under 5 U.S.C. 552 to the extent the matter requested is not specifically exempted from disclosure by statute. The last sentence of this Justice comment is not applicable to 1(c) type inventions.

§ 1-9.107-3 Policy (cont'd.)

(d) In the situations specified in (a) and (b), above, when two or more potential contractors are judged to have presented proposals of equivalent merit, willingness to grant the Government principal or exclusive rights in resulting inventions will be an additional factor in the evaluation of the proposals.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
COMMERCE	In line 1, change "(a) and (b)" to <u>(b) and (c)</u> .	Adopted	Accuracy.
NASA	A draft has been circulated for an FPR issuance on research and development contracts. The FPR provisions include a statement of the factors to be considered in evaluating proposals. Section 1-9.107-3(d) of the proposed patent regulations appears to include an additional factor for such an evaluation. Therefore, it is recommended that an appropriate cross-reference be made between this section and the proposal evaluation section of the FPR on research and development contracts.	Adopted	An appropriate cross-reference should be included in § 1-4.1 of the FPR.
SBA	Subparagraph (c)(2) of the Patent Rights clause requires the contractor to agree to grant, upon request of the Government, an exclusive or non-exclusive license to responsible applicants on terms that are reasonable under the circumstances. Section 1-9.107-3(d) provides that in case of equal proposals, willingness to grant the Government principal or exclusive rights in resulting inventions will be an additional factor in the evaluation of the proposals. We suggest that one more evaluation factor be added to the	Rejected	Not provided for in the Presidential Policy Statement.

§ 1-9.107-3 Policy (cont'd.)

(d) (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
SBA (cont'd.)	paragraph; namely, willingness of the contractor to grant, upon request of the Government or small business concerns, an exclusive or nonexclusive license to responsible small business concerns on terms that are reasonable under the circumstances.		
ABA (LANE)	In § 1-9.107-3(d), it should be made clear that no factor can legally be used in evaluation of proposals unless it is specified in the RFP either initially or by formal amendment to all offerors.	Rejected	Inconsistent with § 1(d) of Statement.

§ 1-9.107-3 Policy (cont'd.)

(e) Whenever the principal or exclusive rights in an invention remain in the contractor, the Government shall normally acquire:

(1) At least a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency) and States and domestic municipal governments, unless the agency head determines that it would not be in the public interest to acquire the license for the States and domestic municipal governments; and

(2) The right to sublicense any foreign government pursuant to any existing or future treaty or agreement if the agency head determines it would be in the national interest to acquire this right; and

(3) The principal or exclusive rights to the invention in any country in which the contractor does not elect to secure a patent.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE	<p>§ 1-9.107-3(e) should suggest criteria for the agency head's determination that it would not be in the public interest for the Federal Government to acquire a license for the States and domestic municipal governments.) (States and municipal governments should be afforded notice of the agency's intent and in such situations opportunity to present a case in behalf of their interests.) (Again, there ought to be in the Federal Register publication of the facts upon which the agency head bases his determination.)</p>	<p>(a) Not adopted</p> <p>(b) Rejected</p> <p>(c) Adopted in part</p>	<p>Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation.</p> <p>A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement.</p> <p>Not administratively feasible.</p> <p>See rationale to comment relating to correspondence and record keeping on page 13.</p>
SBA	<p>Under Section 1-9.107-3(e)(1), the Government acquires a nonexclusive, nontransferable, "paid-up" license. The quoted term is not</p>		

§ 1-9.107-3 Policy (cont'd.)

(e) (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
SBA (cont'd.)	defined. The regulation provides that the contractor may receive a "royalty-free" license. Presumably, the term "paid-up" means something other than royalty-free, but in the interest of clarity, the term should be defined.	Rejected	The term "paid-up" is used in § 1(h)(1) of the Statement and its retention is deemed desirable. The meaning of the term is well understood. Further clarification is not deemed necessary.
TREASURY	Treasury has one comment to make of a technical nature; i.e., the term "States and domestic municipal governments", presumably is intended to cover all state and local governments, including county governments, school districts, etc. The troublesome word is "municipal", which seems to refer only to towns and cities. Therefore, it might be more accurate to change the term to "state and local governments" or "state governments or the governments of any political subdivisions thereof."	Adopted in part	Language of the provision is that of § 1(h)(1) of the Presidential Statement and variation therefrom is deemed undesirable. See revised definition - § 1-9.107-5(a) - Patent Rights clause - Option in the Contractor, paragraph (a)(3) Definitions.
NSF	In § 1-9.107-3(e), it is questioned whether the contractor selection process or the proposal evaluation process should include as a mandatory criterion willingness on the part of the proposer to grant principal or exclusive rights in resulting patents to the Government. In instances of finding equally qualified contractors it is rare and the addition of Section (e) does not make a significant contribution to the proposed regulation.	Rejected	This comment seemingly directed to § 1-9.107-3(d). If so, the provisions of this section are in conformance with § 1(d) of the Statement.

s 1-9.107-3 Policy (cont'd.)

(e) (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH)	Section 1-9.107-3(e), add the following paragraph at the end of subsection - <u>A determination that it would not be in the public interest for the Federal Government to acquire a license for states and domestic municipal governments shall be made on the record, after notice to States and municipal governments of the agency's intent, and a hearing in which interested parties may appear. The agency head's determination shall be published in the Federal Register with a reference to where the facts and documents on which it is based may be found.</u>	Rejected	See rationale for Justice comment on page 20.

§ 1-9.107-3 Policy (cont'd.)

(f) Whenever the principal or exclusive rights in an invention are acquired by the Government, there may be reserved to the contractor a revocable or irrevocable nonexclusive, royalty-free license for the practice of the invention throughout the world; an agency may reserve the right to revoke such license so that it might grant an exclusive license when it determines that some degree of exclusivity may be necessary to encourage further development and commercialization of the invention. Where the Government has a right to acquire the principal or exclusive rights to an invention and does not elect to secure a patent in a foreign country, the Government may permit the contractor to acquire such rights in any foreign country in which he elects to secure a patent, subject to the Government's rights set forth in (e), above.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA	In § 1-9.107-3(f), after the first sentence, insert -- <u>However, an agency should ordinarily grant an irrevocable license to the Contractor whenever the subject invention is in the Contractor's field of technical competence because it is such a Contractor that ordinarily will most quickly further develop and commercialize the invention.</u> --	Rejected	However a provision has been added to the regulation in § 1-9.107-5(h) where an agency may grant the contractor an <u>irrevocable license on subject inventions</u> previously constructively reduced to practice. Also an agency may grant the contractor an irrevocable license on all subject inventions if it decides to use the provisions of § 1-9.107-5(g).

§ 1-9.107-3 Policy (cont'd.)

(g) Proposed.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN) (&) (WERTH)	<p>In keeping with Justice's proposed revision to § 1-9.107-1, the following paragraph should be added to the end of § 1-9.107-3:</p> <p><u>(g) Nothing contained in this Subpart shall be construed to confer upon any person any immunity from the antitrust laws or from a charge of patent misuse, and the acquisition and use of rights pursuant to this subpart shall not be immunized from the operation of state or federal law by reason of the source of the grant of such rights.</u></p>	Adopted	Language expresses a provision which has been considered too implicit in all Government regulations.

§ 1-9.107-4 Procedures.

(a) Selection of patent rights clause.

(1) Whenever a contract has as a purpose the conduct of experimental, developmental, or research work, the agency shall apply the policy in § 1-9.107-3 to the contracting situation and shall include in the contract the patent rights clause in § 1-9.107-5(a), (b), or (c), as appropriate.

(2) The clause in § 1-9.107-5(a) provides the Government with the right to acquire title in and to any invention made in the course of or under the contract, subject to the reservation to the contractor of a nonexclusive revocable, royalty-free license; however, the agency may permit the contractor to obtain greater rights than a nonexclusive license after an invention has been identified if certain criteria are met. The agency shall include this clause in a contract whenever it determines that the work to be performed under the contract falls within § 1-9.107-3(a). In exceptional circumstances this clause may be modified to provide the contractor with greater rights than a nonexclusive license when the agency head determines that such action will best serve the public interest.

(3) Whenever the agency determines that the work to be performed under the contract comes within § 1-9.107-3(b), it shall include in the contract the clause in § 1-9.107-5(b). This clause provides the contractor with the right to acquire title to any resulting invention and for the Government to acquire a paid-up license and the additional right to grant sublicenses.

(4) The clause in § 1-9.107-5(c) provides that the determination of rights in any invention made in the course of or under the contract shall be made by the agency after the invention has been identified. The agency shall include this clause in the contract whenever it determines that the work to be performed under the contract comes within § 1-9.107-3(c), provided, however, that the agency may prescribe by regulation special situations where the public interest in the availability of inventions resulting from such work would best be served by permitting the contractor to acquire at the time of contracting greater rights than a nonexclusive license.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	Silence on criteria for granting greater rights in exceptional circumstances prevails in § 1-9.107-4(a)(2). (See Justice comment under (§ 1-9.107-3(a)(4)(ii).)	Not Adopted	Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation. A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement.

25

§ 1-9.107-4 Procedures. (cont'd.)

(a) Selection of patent rights clause. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
USDA	§ 1-9.107-4 merely describes and explains the required specific patent clauses to be included in all R&D contracts and which are set forth in § 1-9.107-5.	Commentary only	
NASA	The procedure section, § 1-9.107-4(a), essentially tracks the paragraphs 1(a), 1(b), and 1(c) of the President's Memorandum and requires the use of one of three applicable patent rights clauses entitled "Patent Rights Clause - Option in the Government," Section 1(a) of the President's Memorandum; "Patent Rights Clause - Option in the Contractor" whenever the proposed effort is within Section 1(b) of the President's Memorandum; or, the "Patent Rights Clause - Deferred Determination" under Section 1(c) of the President's Memorandum. The fiction that there are three patent rights provisions in the President's Memorandum has thus been preserved by the adoption of three patent rights clauses. There is only a minor difference between the clause "Option in the Government" and the one entitled "Deferred Determination." In both cases, the Government, in effect, has the exclusive power to determine whether a contractor shall obtain greater rights to any resulting inventions or whether the Government will retain such rights. The use of three clauses complicates the procurement situation since it makes it necessary for the contracting	Rejected	The Presidential Statement sets forth three separate situations, the first a presumption of Government ownership, the second a presumption of contractor ownership, and third no presumption of ownership prior to a determination after the invention is made.

§ 1-9.107-4 Procedures (cont'd.)

(a) Selection of patent rights clause.(cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA (cont'd.)	officer to consider a sequence of events in order to determine which is the applicable clause for a specific contract. For example, it is necessary for the contracting officer to determine whether or not his contract falls within the "Option in the Government" area before he can request the information to make the determination as to whether the "Option in the Contractor" or the "Deferred Determination" clause is applicable. If the "Option in the Government" and "Deferred Determination" clauses were combined, it would simplify the decision making process and would not do violence to the concepts of the President's Memorandum as they have been interpreted over the years.		
JUSTICE (RYAN)	{ § 1-9.107-4(a)(2) should state the criteria for granting of greater rights after identification of the invention } and { the criteria for the determination of the existence of exceptional circumstances and the public interest supporting the granting of greater rights. Publication in the <u>Federal Register</u> of the greater rights determinations and the facts on which they are based should be required. The publication should include any written submission and allied data supplied by the contractor in support of the determination. }	(a) Adopted (b) Not Adopted	See the added provision of § 1-9.109-6 for the "greater rights" determination criteria. See rationale (a) and (c) for the comment on page 13.

§ 1-9.107-4 Procedures (cont'd.)

(a) Selection of patent rights clause. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH)	<p>Section 1-9.107-4(a)(2), line 3, cancel if how- ever, the agency may permit the contractor to obtain greater rights than a nonexclusive license after an invention has been identified if certain criteria are met;</p> <p>line 6, cancel in and substitute therefor -- <u>After an invention</u> <u>has been identified or in</u> -- ; and add the following after the subsection -</p> <p><u>The determination of the agency head shall</u> <u>consider, among other factors (1) the nec-</u> <u>essary incentive to call forth private risk</u> <u>capital and expense (2) the contractor's estimate</u> <u>of his costs to bring the invention to the point</u> <u>of practical application and (3) where the Gov-</u> <u>ernment's contribution to the invention is small</u> <u>compared to that of the contractor, the res-</u> <u>pective expenditures of the Government and the</u> <u>contractor. The determination shall be reduced</u> <u>to writing in a public record of the findings on</u> <u>which the agency head's determination is based.</u> <u>The results of the determination and reference to</u> <u>the location of the supporting record shall be</u> <u>published in the Federal Register.</u></p>	Adopted	<p>See the added provisions of § 1-9.109-6 for "greater rights" determinations.</p> <p>The criteria for determining of greater rights is included in the provision of the added § 1-9.109-6, and records of decisions are required to be maintained by the agencies pursuant to revised § 1-9.107-4(b). Publication of these determinations in the Federal Register is considered to be inappropriate since it is a contractual matter.</p>

§ 1-9.107-4. Procedures (cont'd.)

(a) Selection of patent rights clause. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NSF	<p>§ 1-9.107-4(a) does not make any major contributions to the patent policy set forth at length in § 1-9.107-3. Further, subsection (a) is made very difficult to follow as a result of the frequent and lengthy cross references. Simplification of Subsection (a) or combination with § 1-9.107-3 would be helpful for purposes of clarity.</p>	Rejected	<p>It is the consensus of this Implementation Subcommittee that to separate "policy" from "procedure" is a preferable arrangement.</p>
AID	<p>§ 1-9.107-4(a)(1) of the proposed regulations makes them applicable to contracts and grants having "... as a <u>purpose</u> the conduct of experimental, developmental and research work...." (emphasis added). The President's Statement of Government Patent Policy by its terms is applicable to contracts and grants whose <u>principal purpose</u> is the conduct of the aforementioned kinds of work.</p>	Rejected	<p>A patent rights clause is appropriate for use anytime R&D work is to be performed under contract.</p>
	<p>The agency makes many grants where the research activities are provided for in very general terms and which are incidental to the primary purpose of the grant. This is particularly true in institution building grants made to U.S. research and educational institutions under the authority of § 211(d), Foreign Assistance Act of 1961, as amended, where the principal purpose is to strengthen the</p>	Substantially adopted	<p>See the provisions of revised § 1-9.100 Scope of Subpart, with respect to grants.</p>

§ 1-9.107-4 Procedures. (cont'd.)

(a) Selection of patent rights clause. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AID (cont'd.)	<p>the capability of the grantee to develop and carry out programs of development in less developed countries, rather than the conduct of research and development work. Application for the proposed regulations to such grants would impair the ability of the Agency to negotiate them and impede the accomplishment of their objectives.</p> <p>Accordingly, it is recommended that modification of the proposed regulations be made consistent with the President's Statement and the considerations expressed above.</p>		
CODSIA	<p>In § 1-9.107-4(a)(2), line 3, before "revocable" insert -- <u>irrevocable</u> --;</p> <p>line 4, before "include" insert -- <u>normally</u> --;</p> <p>line 8, after "interest" insert -- <u>Greater rights may also be acquired by the Contractor after the invention has been identified or where the head of the department or agency determines that the acquisition of such greater rights is consistent with the intent of Section 1(a) of the Statement on Government Patent Policy, and is either a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application, or that the</u></p>	<p>(a) Rejected</p> <p>(b) Adopted</p>	<p>This type of the license reserved to Contractor has been deleted from this section of the Procedures.</p> <p>See the provisions of the added § 1-9.109-6.</p>

§ 1-9.107-4 Procedures. (cont'd.)

(a) Selection of patent rights clause. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	<u>Government's contribution is small compared to that of the Contractor. Where an identified invention made in the course of or under the contract, is not a primary object of the contract, greater rights may also be acquired under the criteria of Section 1(c) of the Statement. --</u>		
	In § 1-9.107-4(a)(3), line 2, after "§ 1-9.107-3(b)", insert -- <u>or comes under any agency regulations concerning special situations where the public interest in the availability of inventions would best be served by permitting the Contractor to acquire at the time of contracting, greater rights than a nonexclusive license, --;</u>	(c) Rejected	This language appears in § 1-9.107-4 (a)(4). It is deemed to be more appropriate in this section than as proposed.
	line 4, after "sub-licenses", insert -- <u>to foreign governments --.</u>	(d) Rejected	The type of license reserved by this Government has been deleted from this section of the Procedures.
	The above changes are recommended to conform with Statement.		

§ 1-9.107-4 Procedures (cont'd.)

(a) Selection of patent rights clause. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
SBA	Section 1-9.107-4(a)(2) provides for the reservation to the contractor of a nonexclusive, revocable royalty-free license, provided that the Government may permit the contractor to obtain greater rights if certain criteria are met. The last sentence of the paragraph states that the contractor may obtain greater rights when the agency head determines that such action will best serve the public interest. These two provisions say basically the same thing, but in different ways. This apparent duplication or inconsistency should be resolved.	Rejected	Attempts to combine two separate concepts of this Presidential Statement concerning greater rights.
EPA	In the last four lines of § 1-9.107-4(a)(2), there is a brief reference, more or less as an afterthought, to "greater rights" as a consequence of "exceptional circumstances". It is suggested that this aspect of invention rights should be made the subject of a separate and distinct paragraph. Although recourse to this approach to invention rights disposition should not be used casually, we do feel that it warrants more prominent treatment than presently given it.	Not adopted	Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation. A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement.

§ 1-9.107-4 Procedures (cont'd.)

(a) Selection of patent rights clause. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOT	<p>§ 1-9.107-4(a)(2) specifies that "the agency may permit the contractor to obtain greater rights than a nonexclusive license...if certain criteria are met." and also states that "In exceptional circumstances this clause may be modified to provide the contractor with greater rights...." The language used is similar to that set forth in the Presidential guidelines. However, when language of this kind is incorporated in a Federal Procurement Regulation, examples of "certain criteria" and "exceptional circumstances" should be set forth. Unless examples are given, uniformity throughout the Government will not be achieved in all probability.</p>	Not adopted	<p>Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation.</p> <p>A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement.</p>
	<p>§ 1-9.107-4(a)(3). In order to clarify the situation, it is suggested that the following be inserted after the word "contract" in line 1: -- <u>does not come within Section 1-9.107-3(a) but does</u> --. Change "comes" to "come". It should be made clear that even though the work to be performed comes within Section 1-9.107-3(b), the clause in Section 1-9.107-5(b) is not applicable unless the work to be performed <u>does not</u> come within Section 1-9.107 3(a).</p>	Substantially adopted	Added language clarifies the selection procedure.

§ 1-9.107-4 Procedures (cont'd.)

(a) Selection of patent rights clause. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOT (cont'd.)	<p>§ 1-9.107-4(a)(4). Even though the work to be performed under the contract comes within § 1-9.107-3(c), the clause in § 1-9.107-5(c) is not applicable unless the work <u>does not</u> come within § 1-9.107-3(a) and § 1-9.107-3(b). Accordingly, it is recommended that the following words be inserted in line 4 after the word "contract": -- <u>does not come with Section 1-9.107-3(a) and Section 1-9.107-3(b) but does</u> --. Change "comes" to "come".</p> <p>Furthermore, as stated in preceding comments regarding § 1-9.107-4(a)(2), these regulations should include examples of "special situations" that are referred to in this subpart.</p>	<p>Substantially adopted</p> <p>Not adopted</p>	<p>This added language will emphasize that § 1(c) of the Presidential Statement is used only when § 1(a) or 1(b) of the Statement is not applicable.</p> <p>See rationale for first comment on page 33.</p>

§ 1-9.107-4 Procedures. (cont'd.)

(b) Record of decisions. The agency shall record the basis of its decision whenever it determines that a contract falls within § 1-9.107-3(a), (b), or (c). The agency shall also record the basis of its decision when it determines that exceptional circumstances are present in a contracting situation or that the contractor shall acquire greater rights than a nonexclusive license pursuant to § 1-9.107-3(a) or (c).

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	What has been said in § 1-9.107-4(a)(2) calling for the type of public record set out previously herein applies as well to § 1-9.107-4(b) regarding determinations that a contract falls within § 1-9.107-3(b) or (c), that exceptional circumstances are present, or that the contractor shall acquire greater rights pursuant to § 1-9.107-3(a) or (c).	Adopted in part	Section 1-9.107-4(b) provides for recording of the basis of agency action under this regulation.
NASA	§ 1-9.107-4(b) includes a statement that the agencies shall record the basis of their determination whenever they use a patent rights clause. An agency should also record the basis of its exceptional circumstances findings or its greater rights decisions. The normal method of recording decisions required by procurement regulations is in the contract procurement file. This provision should be clarified so that the contracting officers know where their decision should be recorded.	Rejected	Agency implementing regulations should specify where decisions are to be recorded.

§ 1-9.107-4 Procedures.(cont'd.)

(b) Record of decisions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH)	Cancel § 1-9.107-4(b) in its entirety, and substitute therefor - (b) <u>Record of decisions. The agency shall record the basis of its decision (i) whenever it determines that a contract falls within Section 1-9.107(a), (b), or (c); (ii) when it determines that exceptional circumstances are present in a contracting situation or that the contractor shall acquire greater rights than a nonexclusive license pursuant to § 1-9.107-3(a) or (c). This record shall include all supporting documents, correspondence, memoranda, and evaluations pertaining to the decision.</u>	Adopted in part	Revised § 1-9.107-4(b) includes the provisions suggested without defining the nature of the supporting record. The supporting record will be prepared in accordance with agency policy.
HEW	§ 1-9.107-4(b). If a department determines that all its contracts are within one section, such as 9.107-3(a), does the clause require a decision on a contract-by-contract basis, or is a single blanket decision by the Department sufficient?	Commentary only	Agency implementing regulations can specify that all contracts in a specific area fall within a particular section of this regulation, if this is actually the case.

§ 1-9.107-4 Procedures (cont'd.)

(c) License for States and municipal governments. Subparagraph (c)(1) in the clause set forth in § 1-9.107-5(a) provides that the Government shall acquire a paid-up license for States and domestic municipal governments for any invention made in the course of or under the contract. However, the agency head may determine at the time of contracting that it would not be in the public interest to acquire the license, or he may reserve the right to make such determination after the invention has been identified. When the agency head makes or reserves the right to make this determination, subparagraph (c)(1) shall be replaced with the appropriate subparagraph in § 1-9.107-5(d).

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	<p>{ What has been said concerning § 1-9.107-3(e) also applies to § 1-9.107-4(c). That is, § 1-9.107-4(c) should state the criteria for the determination that the public interest does not require the Government to acquire a paid-up license for States and domestic municipal governments } and { should require that the facts on which such determination is based be made a matter of public record. The States and municipal governments should have notice and an opportunity to represent their interests in the matter. }</p>	(a) Not adopted	See rationale for Justice comment on page 20.
		(b) Rejected	Not administratively feasible.
		(c) Adopted in part	See rationale for Justice comment relating to correspondence and record keeping on page 13.
TREASURY	<p>"States and domestic municipal governments" seems to refer only to towns and cities. Therefore, it might be more accurate to change the term to "state and local governments" or "state governments or the governments of any political subdivisions thereof." (See Treasury comment under § 1-9.107-3(e)).</p>	Adopted in part	See rationale to Treasury comment on page 21.

§ 1-9.107-4 Procedures (cont'd.)

(c) License for States and municipal governments. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH)	Section 1-9.107-4(c), line 4, after the word "contracting", insert -- <u>in accordance with Section 1-9.107-3(e)</u> --.	Rejected	Inclusion of these words is inappropriate in this section.
DOT	§ 1-9.107-4(c). Criteria for determining when "it would not be in the public interest to acquire the license" should be given. Similar criteria for determining when the head of the agency might "reserve the right to make such determination after the invention has been identified," should also be included.	Not adopted	Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation. A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement.
HEW	§ 1-9.107-4(c). For the purpose of clarity, it is recommended that the following change be made in line 4: Delete the words <u>/acquire the license/</u> and insert -- <u>extend the license to states and domestic municipal governments</u> --.	Rejected	The type of license reserved to the Government has been deleted from this section of the Procedures.

§ 1-9.107-4 Procedures (cont'd.)

(d) Right to sublicense foreign governments. Paragraph (c) of the clause set forth in § 1-9.107-5(a) does not provide the Government with the right to grant a sublicense for any invention, made in the course of or under the contract, to any foreign government pursuant to any existing or future treaty or agreement. The agency head may determine at the time of contracting that it would be in the national interest for the Government to acquire such right, or he may reserve the right to make such determination after the invention has been identified. When the agency head makes or reserves the right to make this determination, the appropriate subparagraph in § 1-9.107-5(e) shall be included as part of paragraph (c) in the clause set forth in § 1-9.107-5(a).

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOT	§ 1-9.107-4(d). Following the similar logic of the preceding comments, criteria should be given as to when "The agency head may determine...that it would be in the national interest for the Government to acquire...." the right to grant sublicenses to any foreign government pursuant to any existing or future treaty or agreement.	Not adopted	Comment is deemed meritorious. However, this matter requires independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation. A task force should be established to develop such guidelines so that greater consistency may be achieved in the agencies' implementation of the Presidential Patent Policy Statement.
HEW	§ 1-9.107-4(d). It is unclear why in 9.107-4(c) the condition of a license to states and domestic municipal governments is positively added to the license, and affirmative action must be taken to delete the condition, while in 9.107-4(d) the condition permitting the Government to license foreign governments is not added to the license, and an affirmative action must be taken to add such condition. For purposes of consistency and ease of administration, it would seem that both conditions should be either added to the license, with the agency needing to take action to delete, or vice versa.	Rejected	This section is consistent with 1(h) (1) and (2) of the Presidential Statement.

§ 1-9.107-4 Procedures (cont'd.)

(e) License to contractor. In paragraph (d) in the clause set forth in § 1-9.107-5(a), the contractor is granted a revocable, nonexclusive, royalty-free license on each invention, made in the course of or under the contract, for practice of the invention in this country. The agency may, however, grant the contractor an irrevocable non-exclusive, royalty-free domestic license. When the agency decides to grant such license, paragraph (d) of § 1-9.107-5(a) shall be replaced with paragraph (d) of § 1-9.107-5(f).

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AEC	Line 1, delete <u>/is/</u> , and insert <u>--may, upon request, be--</u> . The reason for the proposed change is discussed in connection with § 1-9.107-5(a)(d). (See AEC comment under § 1-9.107-5(a)(d).)	Adopted	A third alternative set forth in § 1-9.107-5(d) has been added by the Implementation Subcommittee which provides that licenses may also be granted only upon request.
COMMERCE	Cancel the last sentence and insert, <u>--When the agency decides to grant such license, subparagraphs (3) and (4) in paragraph (d) of 1-9.107-5(a) shall be cancelled and subparagraph (1) shall be replaced with subparagraph (1) of 1-9.107-5(f).</u> This amendment would retain subparagraph (2) in paragraph (d) of 1-9.107-5(a) when the agency grants the contractor an irrevocable domestic license.	Substantially adopted	Revised language of this section clarifies the type of license reserved to the contractor.
GSA	§ 1-9.107-4(e) provides that the agency may grant the contractor an irrevocable, etc., license. Criteria should be added as to the basis and justification for such action to ensure appropriate and uniform use of this authority.	Adopted in part	Same criteria is provided in § 1-9.107-5(h).

§ 1-9.107-4 Procedures. (cont'd.)

(e) License to contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA	Line 1, delete <u>/in/</u> and insert -- <u>An agency may reserve the right to revoke a license so that it may grant an exclusive license when it determines that some degree of exclusivity may be necessary to encourage further development and commercialization of the invention. Accordingly, in --;</u>	Adopted	Section (d) (2) and (3) of the Patent Rights clauses of § 1-9.107-5(a), (b), and (c) have been modified to provide for revocation of the domestic license reserved by the contractor along the lines suggested by the commentor.
	Line 2, delete <u>/a/</u> and insert -- <u>an irrevocable or --;</u> and	Adopted in part	This section has been revised to provide for the reservation of either a revocable or irrevocable license in the contractor.
	Line 4, after the first "license", insert -- <u>, and should do so whenever the work called for by the statement of work is in a field of technology in which the Contractor has acquired a technical competence directly related to an area in which the Contractor has an established nongovernmental commercial position. --</u>	Rejected	The test suggested for the reservation of an irrevocable license is not satisfactory. Agencies may adopt implementing regulations as to when an irrevocable license may be reserved to the contractor.
DOT	§ 1-9.107-4(e). The criteria for determining when the contractor shall be given an "irrevocable" as distinguished from a "revocable" license should also be established in the regulations.	Not adopted.	See rationale to GSA comment on page 40

§ 1-9.107-4 Procedures (cont'd.)

(c) License to contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	In order to clarify the selection of patent rights clauses in the proposed FPR, it will be necessary to include some provisions in the RFP so that the prospective contractors may request a specific patent clause which may be different from that proposed in the RFP. It is therefore suggested that the FPR include a section on the appropriate RFP language which may be used to assure that the correct patent rights provisions are included in the agencies' contracts.	Adopted in part	See revised § 1-9.107-4(a) (1) which provides offerors an opportunity to show that a selected clause is improper.

§ 1-9.107-5 Clauses for domestic contracts.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
USDA	§ 1-9.107-5 sets forth specific patent clauses which will be required to be included in contracts and which will be selected in accordance with the criteria in Section 1-9.107-3. As already pointed out, these do not apply to this Department because of the statutory requirement which precludes leaving title with the contractor.	Commentary only	See rationale to USDA comment on page 8.

§ 1-9.107-5 Clauses for domestic contracts.

(a) Patent Rights clause - Option in the Government. This clause shall be included in all contracts that fall within § 1-9.107-4(a)(2).

PATENT RIGHTS - OPTION IN THE GOVERNMENT

(a) Definitions.

(1) "Subject invention," means any invention or discovery conceived for first actually reduced to practice in the course of or under this contract, and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the Patent Laws of the United States of America or any foreign country.

(2) "Contract," means any contract, agreement, grant, or other arrangement, or subcontract entered into with or for the benefit of the Government where a purpose of the contract is the conduct of experimental, developmental, or research work.

(3) "Made," when used in relation to any invention or discovery, means the conception or first actual reduction to practice of such invention in the course of or under the contract.

(4) "States," means the States of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, and the Trust Territory of the Pacific Islands.

(5) "Government agency," includes an executive department, independent commission, board, office, agency, administration, authority, Government corporation, or other Government establishment of the executive branch of the Government of the United States of America.

(6) "To the point of practical application," means to manufacture in the case of a composition or product, to practice in the case of a process, or to operate in the case of a machine and under such conditions as to establish that the invention is being worked and that its benefits are reasonably accessible to the public.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(a) Definitions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
USDA	<p>The only patent clause included in the draft regulations which could possibly be modified to meet USDA statutory requirements would be the one set forth in Section 1-9.107-5(a), "Patent Rights Clause - Option in the Government." Such a modification would be a greatly-abbreviated version of the clause proposed by GSA and would include the following paragraphs:</p> <p>(a) Definitions</p> <p>Subparagraphs 1, 2, 3, and 6.</p> <p>USDA contracts do not include definitions of the terms "subject invention," "contract," "made," and "point of practical application." Although no past controversies which may have arisen in the interpretation of these terms, are known, inclusion of the definitions is desirable.</p>	Rejected	<p>This is only a general discussion. Grants and cooperative agreements are expressly provided for in separate legislation from that which authorizes formal contracts.</p> <p>The purpose of this regulation is to prescribe policies and clauses applicable to all agencies to the extent consistent with applicable statutes. Adoption of this comment would defeat achievement of this objective.</p>
AEC	<p>In § 1-9.107-5(a)(a)(1), line 1, delete /conceived-ex-first-actually-reduced-to-practice/ and insert <u>--made--</u>. The deleted phrase is the definition of "made" in subsection (3) and it should accordingly be used.</p>	Rejected	<p>Retention of the words are desirable to emphasize the concept of "made" because of its importance.</p>

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(a) Definitions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOT	<p>{§ 1-9.107-5(a)(a)(1). The definition of "Subject invention" refers to inventions conceived or first actually reduced to practice "in the course of" the contract. Although this language was taken from the ASPR, we have had several questions as to what "in the course of" means. We have interpreted the language to mean that if Government money is used in the conception or actual reduction to practice, the invention is a "Subject invention." However, we believe that there should be an explanation of what the language means or the definition should be changed.}</p> <p>{The Subcommittee should also consider expanding the definition to include "any invention, improvement, etc., whether or not patentable" thereby leaving gray area considerations to the judgment of the Government.}</p>	<p>Rejected</p> <p>Rejected</p>	<p>This matter has been debated for years by the Committee and the Executive Subcommittee without resolution. Therefore, it is deemed inappropriate for the Implementation Subcommittee to attempt further clarification of these terms.</p> <p>Present language is taken from Presidential Statement.</p>
	<p>§ 1-9.107-5(a)(a)(3). The word "Made" is defined but the term does not appear in the clause. Under the circumstances, the definition should be deleted.</p>	<p>Adopted</p>	<p>The term "made" was cancelled for the reason given.</p>

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(a) Definitions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	The FPR has limited the definition of "subject invention" to the statement "which is or may be patentable" instead of the ASPR "whether or not patentable." NASA believes statement should be changed to conform to the ASPR.	Rejected	Adoption would conflict with the Presidential Policy Statement.
SBA	Throughout the regulation the term "principal or exclusive rights" is used in describing the acquisition of rights by the Government, but nowhere is there a definition of the word "principal". Does it mean the minimum rights granted to the Government under Paragraph (c) of the Patent Rights clause or does it mean something between minimum rights and the complete rights acquired by the Government under Paragraph (b) of the clause? The word needs definition.	Rejected	The contract clauses adequately define the rights of the parties. A definition would eliminate the flexibility provided agencies to select the desired contract clauses under the regulations. (For further discussion of "principal or exclusive rights" - see the Interpretive Statement found in the 1965 Annual Report on Government Patent Policy.)
CODSIA	In § 1-9.107-5(a)(a)(3), line 2, after "contract" insert -- <u>; however, any invention that, although first actually reduced to practice in the course of or under the contract, but the subject of a patent application filed prior to the execution of this contract shall, as a minimum, be the subject of an irrevocable license grant to the Contractor, together</u>	Adopted in part	Section 1-9.107-5(h) has been added to permit an agency to grant to the contractor an irrevocable license on subject inventions constructively reduced to practice prior to this contract date.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(a) Definitions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	<p><u>with the right to grant sublicenses of the same scope to the extent Contractor was legally obligated to do so at the time the contract was awarded. --</u></p> <p>Where an invention has been conceived and constructively reduced to practice before the contract was entered into, inequity and fairness, the Contractor should receive no less than an irrevocable license.</p>		
NSF	<p>In § 1-9.107-5(a)(a)(2), the proposed contract provisions appear to be excessively formidable and harsh considering the nature and the cause for the promulgation of this regulation. Specifically, consistent with our previous comments, we would suggest deleting the word <u>/grant/</u> from the definition of "Contract".</p>	Adopted in part	While the word "grant" was not deleted from the definition of "contract" as suggested by the commentor, the sense of the comment was accommodated by modifying § 1-9.100, the Scope paragraph, to provide that the applicability of the subpart to grants is permissive.
INTERIOR	<p>Add the following definitions:</p> <p><u>(7) "Contractor" means any individual, partnership, public or private corporation, association, institution or other entity which is a party to the contract and includes entities controlled by the contractor. The term "controlled" means the direct or</u></p>	Rejected	Definition is deemed unnecessary.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(a) Definitions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
INTERIOR (cont'd.)	<p><u>indirect ownership of more than 50 percent of the outstanding stock entitled to vote for the election of directors, or a directing influence over such stock: Provided, however, that foreign entities not wholly owned by the contractor shall not be considered as "controlled" for purposes of this patent clause. For the purposes of the patent clause, grantees are deemed contractors.</u></p>	Rejected	Comments with respect to the suggested additional subparagraphs (8),(11) and (12) are directed to the question of the "acquisition of background patent rights." Under this project, the question of "background patent rights" is not being considered.
	<p><u>(8) "To practice an invention or patent" means the right of a licensee on his own behalf to make, have made, use or have used, sell or have sold, or otherwise dispose of according to law, any machine, design, manufacture or composition of matter physically embodying the invention or to use or have used the process or method comprising the invention.</u></p>		
	<p><u>(11) "Background patent" means a foreign or domestic patent (regardless of its date of issue relative to the date of this Contract):</u> <u>(i) Which the Contractor, but not the Government, has the right to license to others, and</u> <u>(ii) Infringement of which cannot be avoided upon the practice of a Subject Invention or Specified Work Object.</u></p>		

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(a) Definitions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
INTERIOR (cont'd.)	<p>(12) <u>"Specified Work Object" means the specific process, method, machine, manufacture or composition of matter (including relatively minor modifications thereof) which is the subject of the experimental, developmental, or research work performed under this contract.</u></p> <p>The definition of Contractor is deemed required in order to include within its scope subsidiaries of the entity performing the work. This becomes important in background right problems, since a subsidiary may control the dominant background patent. Including such subsidiaries in the definition subjects them to the obligation of any background licensing provisions which may be included.</p>		
DOD	<p>A definition of "practice" is thought required.</p> <p>§ 1-9.107-5(a)(a)(6), preface the title "to the point of practical application" with -- <u>To bring</u> --. Although the title corresponds to that in the President's Statement, the prefatory words are always added whenever the title is used in the clause.</p>	Rejected	<p>Grammatically, the comment is meritorious. However, in the interest of consistency with the GSA licensing regulations, retention of the present language is deemed desirable.</p>

§ 1-9.107-5 Clauses for domestic contracts.

(a) Patent Rights clause - Option in the Government (cont'd.)

(a) Definitions. (cont'd.)

<u>SUBMITTED BY</u>	<u>COMMENT</u>	<u>DISPOSITION</u>	<u>RATIONALE</u>
HEW	§ 1-9.107-5(a)(a) - <u>Definitions.</u> The definition section of this clause makes the clause applicable to grants, which is unacceptable to HEW due to its long-established policy of utilizing separate clauses for grants and contracts.	Adopted in part	See rationale of NSF comment on page 48.

s 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(b) Disposition of rights.

(1) Assignment to the Government. The Contractor agrees to grant to the Government the entire right, title, and interest throughout the world in and to each subject invention of the Contractor, except as provided in (b)(2), (b)(3), and (f), below.

(2) Request for greater rights.

(i) The Contractor may request greater rights in a subject invention than the license specified in (d), below, and the right to file a United States patent application. The request shall be submitted in writing at the time of first disclosure of the invention pursuant to (e), below, or not later than 3 months thereafter or such longer period as may be authorized by the Contracting Officer for good cause shown in writing.

(ii) If the invention is a primary object of this contract or if the invention is not a primary object but falls within the criteria of 41 CFR 1-9.107-3(a), the request in (i), above, shall set forth information and facts tending to show that:

(A) The acquisition of such greater rights is a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application; or

(B) The Government's contribution to the invention was small compared to that of the contractor.

(iii) If the invention is not a primary object of this contract and does not fall within the criteria of 41 CFR 1-9.107-3(a), the request in (i), above, shall contain a statement of the Contractor's intention and plan to bring the invention to the point of practical application. The Contractor shall establish, upon request, the likelihood that the invention will be more expeditiously developed to the point of practical application under his plan than by Government licensing or dedication to the public.

(3) Foreign rights. If the Government determines not to file a patent application on a subject invention of the Contractor in any particular foreign country, the agency may authorize the Contractor to file a patent application on such invention in such foreign country and to acquire the entire right, title, and interest therein, subject to the license to the Government specified in (c), below.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(b) Disposition of rights. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AEC	§ 1-9.107-5(a)(b)(1) - It is suggested that the title of (b) be changed to <u>Disposition of Principal Rights</u> . Other rights are disposed of in other paragraphs of this clause.	Adopted	Reason stated in comment.
NASA	§ 1-9.107-5(a)(b)(1), delete the word <u>grant</u> and insert <u>assign</u> .	Adopted	Conforms with heading.
USDA	§ 1-9.107-5(a)(b)(1), delete <u>except as provided in (b)(2), (b)(3), and (f) below</u>	Rejected	Language should be retained for clarity.
POSTAL SERVICE	It is suggested that § 1-9.107-5(a)(b)(2), be revised. As written, the paragraph gives the contractor a right to request greater rights than the license to which he is entitled, as a minimum, under paragraph (d) of the clause. A contractor who files a request which, on its face, satisfies all requirements, would doubtless consider that he became automatically entitled to the additional rights specified in his request. In our opinion, the contracting agency should retain the discretionary right to determine whether or not it will cede some of its rights to the contractor; that is, the clause should be so revised that the mere filing of a request would not, by itself, be deemed to divest the Government of rights to vest them in the contractor instead. The	Adopted in part	An added Section 1-9.109-6 provides for the criteria to be applied by the agency in the greater rights determination.

§ 1-9.107-5. Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(b) Disposition of rights. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
POSTAL SERVICE (cont'd.)	request should be made subject to approval or disapproval by the Government.		
VA (Prosthetic & Sensory Aids Service)	The wording in § 1-9.107-5(a)(b)(2) seems to be slightly incomplete; i.e., the contractor may make requests for greater rights, but the clause does not specify the person who decides (head of agency, contracting officer, etc.) or timing, which is important. The agency presumably has flexibility to decide. The revisions will add some administrative duties inasmuch as the clauses are much longer than those presently used by VA. Perhaps the clauses could be incorporated in research contracts by reference to the amended FPR. More likely they will be printed for use by all Contracting Officers, somewhat like the Equal Opportunity clauses.	Adopted in part Commentary only	The added Section 1-9.109-6 provides for the criteria to be applied by the agency in the greater rights area but leaves to the agency discretion with respect to the level at which such determinations will be made.
DOD	§ 1-9.107-5(a)(b)(1). Delete reference to (f) since it is not really an exception.	Adopted	Accuracy

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(b) Disposition of rights. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOD	<p>§ 1-9.107-5(a)(b)(2)(i). The addition of a paragraph along the following lines will help to avoid any implication of the automaticity of grant of requested greater rights:</p> <p>-- <u>The Contractor will be notified in writing of the extent to which such request is granted.</u> --</p>	Rejected	The regulations require the agency to make a determination with respect to greater rights, and it is implicit that the agency shall notify the contractor.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(b) Disposition of rights. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
GSA	§ 1-9.107-5(a)(b)(2)(i) covers the request for greater rights and provides for a written request within " ... 3 months thereafter or such longer period as may be authorized by the Contracting Officer for good cause shown in writing." This broad phrase should be limited by providing that (1) no such request shall be allowed if made after final payment under the contract, and (2) that the decision of the Contracting Officer as to granting an extension (beyond the 3 months) shall be final and shall not be subject to the "Disputes" clause of the contract. This concept is contained in the Value Engineering clause in ASPR 1-1707.1 and was discussed in Covington Industries, ASBCA #12426 (9/27/68), 68-2 BCA par. 7286. The principle on the "final payment" concept is contained in the Changes clause in the standard construction and supply contracts.	Rejected	The timing for final payment is immaterial to a decision for greater rights. With respect to the "Extension of Time", this is a discretionary matter and is not applicable.
AEC	§ 1-9.107-5(a)(b)(2)(i), line 2, delete <u>and</u> and insert -- , <u>including</u> --.	Rejected	No reason for change given and none can be ascertained.
	§ 1-9.107-5(a)(b)(2)(i) - The delay in filing a patent application authorized by this section may be necessary in certain circumstances in order to permit the contractor to prepare the	Rejected	A fixed period for normally requesting greater rights is desirable. In addition, sufficient flexibility exists under present language.

§ 1-9.107-5. Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(b) Disposition of rights. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AEC (cont'd.)	support for his request for greater rights, but any delay in the preparation of a patent application is not preferred patent practice because of a possible interference, lack of diligence, or right to file in foreign countries. It is therefore suggested that the section be amended to permit greater flexibility for the contracting officer to determine the appropriate time period in accordance with the circumstances. This could be accomplished by deleting the phrase in lines 3 and 4 /or not later than three (3) months thereafter or such longer/ and substitute -- <u>or such --</u> , and in line 4, delete /for good cause shown/ .		
COBSIA	Delete the second sentence of § 1-9.107-5(a)(b)(2)(i) because the time limit is arbitrary and discriminatory against the Contractor. Others can request greater rights at any time. There is no reason to preclude a Contractor from being in the same position. In § 1-9.107-5(a)(b)(2)(ii), after (ii)(B) insert as new subparagraphs: -- (C) Acquisition of such rights is not inconsistent with the intent of Section 1(a) of the Presidential Memorandum of August	Rejected Substantially adopted	The period is discretionary, but is necessary for good administration practices. The sense of the comment has been adopted to conform with criteria stated in 1971 Presidential Policy Statement Section 1(a), last paragraph. However, the suggested provisions have been made part of the added § 1-9.109-6, instead of a part of the Patent Rights clause as suggested.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(b) Disposition of rights. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	<p>23, 1971. --; and</p> <p>-- (D) (If not a primary object of the contract), that the public interest would be served, taking into account the intentions of the Contractor to bring the invention to the point of commercial application. --</p> <p>In § 1-9.105(a)(b)(2)(iii), line 3, delete the word <u>/establish/</u> and substitute -- <u>provide the Government with information</u> --;</p> <p>line 3, after the word "request" insert -- <u>so as to allow the latter to determine, if such determination is possible or feasible</u> --; and</p> <p>line 4, delete the word <u>/his/</u> and insert -- <u>the Contractor's</u> --.</p> <p>The responsibility for information-giving is with the Contractor, and for judgment-making with the Government.</p>	Substantially adopted	Added § 1-9.109-6 provide for the contractor to submit information in his possession regarding a greater rights determination and for the agency to make findings based on the information attained by the agency.
JUSTICE (RYAN) (&) (WERTH)	<p>§ 1-9.107-5(a)(b)(2)(iii) should mandatorily require that the contractor establish the likelihood that the invention will be more expeditiously developed to the point of practical application under his plan by Government licensing or dedication. This can be accomplished by deleting <u>/upon request/</u> from the last sentence of (iii).</p>	Substantially adopted	Added § 1-9.109-6(a)(1)(v) requires the contractor to provide the information suggested by the commentator as part of his request for a greater rights determination.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(b) Disposition of rights. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
HEW	§ 1-9.107-5(a)(b)(2)(iii). The second sentence of this section is a requirement over and above that of the President's Statement on Patent Policy. Further, the facts that the contractor would need to know in order to accomplish what is requested are in the hands of the Government agency involved, and not necessarily available to the contractor. Without agency advice, the contractor could not possibly advise whether Government licensing or dedication would more effectively bring the invention to the market-place.	Substantially adopted	The revised language provides more appropriate language to define the actual situation.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government.

(1) The Contractor agrees to and does hereby grant to the Government a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency) and States and domestic municipal governments.

(2) With respect to each subject invention to which the Contractor has principal or exclusive rights, the Contractor further agrees to grant, upon request of the Government, an exclusive or nonexclusive license on terms that are reasonable under the circumstances to responsible applicants.

(i) Unless the Contractor, his licensee, or his assignee demonstrates to the Government, at its request, that effective steps have been taken within 3 years after a patent issues on such invention to bring the invention to the point of practical application or that the invention has been made available for licensing royalty-free or on terms that are reasonable in the circumstances, or can show cause why the principal or exclusive rights should be retained for a further period of time; or

(ii) To the extent that the invention is required for public use by governmental regulations or as may be necessary to fulfill public health, safety, or welfare needs, or for other public purposes stipulated in the contract.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
COMMERCE	§ 1-9.107-5(a)(c)(1), line 2, cancel the and insert -- <u>each subject</u> --.	Adopted	Revision is consistent with other sections of the regulation.
NASA	Language of § 1-9.107-5(a)(c)(1) should be modified to state that the contractor agrees not to sue the Government on the patent he obtains covering a subject invention whenever the Government directly or on its behalf makes, uses, or	Not adopted	Present language is consistent with Presidential Statement. The background rights implications of this comment are being considered by the Executive Subcommittee of the

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA (cont'd.)	<p>sells the subject invention, rather than continue the use of patent terminology "a license to make, use, and sell the invention.</p> <p>The subparagraph also states that the contractor grants to the Government a nonexclusive license to make, use, and sell "the invention". First of all, it would appear that the word "invention" should be "subject invention", but more basic, this provision should be a subprovision of paragraph (c)(2) rather than being an independent paragraph. The reason for this is that it is NASA's view that a contractor need only grant the Government a "license" to those inventions with respect to which the contractor has obtained the principal or exclusive rights.</p>	Adopted	<p>Committee and are to be resolved independent from consideration of the FPR for later addition to the FPR. Also see CODSIA (pg.62) and DOD comments (pg.63). See rationale to Commerce comment on page 60.</p> <p>License to Government where it takes title seems unnecessary. See rationale to AEC comment on page 64.</p>
POSTAL SERVICE	<p>Since the term "subject invention" has been chosen for use in referring to any invention subject to the terms of the contract clause prescribed in § 1-9.107-5(a), that term rather than the bare word "invention" should be used in (c)(1) covering the Government's minimum rights.</p>	Adopted	<p>See rationale to Commerce comment on page 60.</p>

s 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	<p>The proposed FPR patent clause, in adopting many of the provisions and language of the ASPR patent rights clause, continue to perpetuate a misunderstanding of the scope of this clause. Reference is made to the Court of Claims interpretation of the DOD patent rights clause in their Mine Safety, AMP, and Technitrol decisions. The Court's interpretation is based upon the broad definition of Subject Invention in the ASPR; and, the contractor's grant to the Government of a royalty-free license to practice each Subject Invention throughout the world even though the Subject Invention may never be filed as a patent or is, in fact, unpatentable. The Court's interpretation of these provisions indicates that the Government has obtained broader rights than the operating agencies had anticipated and that the patent rights clauses, based on the above definitions and provisions, have nothing to do with normally understood principles of patent law. As a matter of contract interpretation, the Court determined that the Government had had the positive right to make or use Subject Inventions which may include a royalty-free right in the contractor's background patents to the extent such patents are necessary in the making or using of items or processes covered by Subject Inventions. In the Technitrol decision, the Court, rather than limiting the term "license to practice" to what it is commonly understood to be in the patent law, that is, an agreement not to sue the Government on the applicable patent, stated the proposition that the patent rights clause granted to the Government a positive right to make or use as unreported subject invention.</p>	Not Adopted	See rationale for NASA comment on page 60.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA	<p>§ 1-9.107-5(a)(c)(1), line 1, delete <u>The</u> and insert -- <u>Whenever the principal or exclusive rights to an invention remain in the Contractor, the</u> --. To conform with Statement.</p> <p>At end of (c)(1), add the sentence -- <u>Nothing herein shall imply a license to the Government under any background or third party patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.</u> --. Any license other than those under subject inventions should be provided for specifically. The proposed language could be construed to require a Contractor to obtain, if possible, licenses under dominating patents to which Contractor has no rights.</p>	<p>Substantially adopted</p> <p>Not adopted</p>	<p>See rationale for AEC comment on page 64.</p> <p>See rationale to NASA comment on page 60.</p>
NSF	<p>Without very careful reading, § 1-9.107-5(a)(c) appears to be inconsistent with the purpose of § 1-9.107-5(a)(b). This could be clarified by an introductory statement in (c) that where the Government permits greater rights in inventions to remain with the contractor, then the following minimum rights will be granted to the Government. This comment applies, in reverse, to Subsection (d) as well.</p>	<p>Substantially adopted</p>	<p>See rationale for AEC comment on page 64.</p>

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOD	§ 1-9.107-5(a)(c)(1). Delete <u>/agrees-to-and does-hereby-grant/</u> and insert -- <u>hereby grants</u> -- and add the following sentence to give effect to the worldwide license granted to the Government. -- <u>The Contractor agrees to make appropriate arrangements in licensing Subject Inventions to avoid royalty charges on procurements involving Government funds or funds otherwise derived through the Government (including funds derived through the Military Assistance Program of the Government) or to refund any amounts received by the Contractor with respect to such charges.</u> --	Adopted	Deletion made for clarity purposes.
	Add the following sentence to avoid any implication of agency intent to acquire rights in a contractor's background patents: -- <u>Nothing contained in this clause shall be deemed to grant any rights with respect to any invention other than a Subject Invention.</u> --	Substantially adopted	Insure that the Government's license is truly royalty-free in which the Government may only provide part of the funds.
	§ 1-9.107-5(a)(c)(2)(ii). Change the terminal portion to read "stipulated in <u>/the/ this</u> contract."	Not adopted	See rationale to NASA comment on page 60.
		Adopted	Editorial correction.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AEC	<p>§ 9.107-5(a)(c) - It is believed that subparagraphs (1) and (2) could be shortened and clarified, without changing the content. The following rephrasing of these two paragraphs is suggested:</p> <p><u>"Minimum rights granted to the Government.</u> With respect to each Subject Invention to which the Contractor acquires principal or exclusive rights, the Contractor:</p> <p>(1) Agrees to and does hereby grant to the Government, a nonexclusive, nontransferable, paid-up license to make, use, and sell the Invention throughout the world by or on behalf of the Government of the United States (including any Government agency) and States and domestic municipal governments, and</p> <p>(2) Agrees to grant, upon request of the Government, an exclusive or nonexclusive license on terms that are reasonable under the circumstances to responsible applicant(s).</p>	Substantially adopted	<p>With exception there should be (;) after "applicant(s)", not (.). This takes care of NASA and DOT suggestion.</p> <p>Also note CODSIA and DOD language changes.</p> <p>This revision also takes care of the Commerce, NASA and Postal Service comment relating to subject invention.</p> <p>This review also accommodates the DOD comment on page 63 regarding the words "hereby grants".</p> <p>This revision also disposes of the Commerce, SBA, DOT, Interior, HEW and AEC comments regarding changing the period (.) at the end of (c)(2) to a comma.</p>
COMMERCE	§ 1-9.107-5(a)(c)(2), delete 7	Adopted	Original punctuation incorrect.
JUSTICE (WERTH)	§ 1-9.107-5(a)(c)(2), line 2, delete 7 -upon request-of-the-Government 7 .	Rejected	Language consistent with 1(h) of the Presidential Statement.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSTION	RATIONALE
SBA	Subparagraphs (c)(2)(i) and (ii) of § 1-9.107-5 (a) are not complete sentences. They contain subordinate clauses only. Period should be deleted at end of (c)(2) and first letter of words beginning subparagraphs (i) and (ii) should be changed to lower case.	Adopted	Original punctuation was incorrect.
JUSTICE (RYAN)	§ 1-9.107-5(a)(c)(2) should make licensing mandatory by deleting the provision for request by the Government insofar as it relates to the proviso in (c)(2)(i).	Rejected	See rationale to Justice comment on page 64.
	In § 1-9.107-5(a)(c)(2)(i) it should be provided that the contractor shall license as provided in § 1-9.107-5(a)(c)(2), without the Government having to request such licensing, upon expiration of three years after patent issues, unless he or his licensee or assignee demonstrates in a hearing on the record open to all interested parties, and after proper notice in the <u>Federal Register</u> , that effective steps have been taken during the three-year period to bring the invention to the point of practical application or that the invention has been made available for licensing royalty-free or on terms that are reasonable in the circumstances, or can show cause why the principal or exclusive rights should be retained for a further period of time. The showing of the action taken towards practical application should include	Rejected	This goes past the requirement of the Presidential Statement, and is believed to be contrary to the intent of the Statement. Further, to determine the amount of time necessary to bring an invention to the marketplace is unpredictable and an unnecessary administrative burden if conducted on an <u>ad hoc</u> basis.

§ 1-9.107-5. Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	a statement of the contractor's expenditures to this end. To meet the objective of speedy commercialization, where it is established that principal or exclusive rights should be authorized and required to specify the duration of such additional period of exclusivity as may be needed for bringing the invention to the point of practical application or to accomplish licensing of others.		
(RYAN) (&) (WERTH)	With respect to the Government's reservation of the right to require granting of licenses under § 1-9.107-5(a)(c)(2)(ii), we would add the provision, -- <u>or in exceptional circumstances where the department or agency head determines that a grant of such license(s) is required in the public interest.</u> -- It ought to be possible to devise general public interest criteria to provide flexibility for agency action.	Rejected	This goes past the requirement of the Presidential Statement. Similar language was proposed as a revision to the 1963 Statement and was deleted prior to the issuance of the 1971 Statement.
INTERIOR	§ 1-9.107-5(a)(c)(2) is apparently not correctly punctuated as it does not make sense when read with subparagraphs (i) and (ii). The period at the end of paragraph (2) should apparently be a comma. In addition, although subparagraphs (i) and (ii) are stated as alternatives, they are not true alternatives and as a result this paragraph is confusing to read.	Adopted.	Punctuation originally incorrect.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH)	Section 1 9.107-5(a)(c)(2)(i), line 1, cancel <u>/-at-its-request-/</u> , and substitute therefor <u>-- by a showing of financial expenditures or equivalent in a public record --</u> .	Rejected	Money is not only criterion for judging performance, and "or equivalent" is undefined. Further, present language is consistent with Presidential Statement.
	Section 1-9.107-5(a)(c)(2)(ii), at end of sentence, cancel <u>/-7</u> and after the word "contract" add <u>-- , or in exceptional circumstances where the head of the Government agency determines that a grant of such license(s) is required in the public interest. --</u> .	Rejected	See rationale to Justice comments on page 66.
	Section 1-9.107-5(a)(c), add the following sub-paragraph - <u>(3) Whenever principal or exclusive rights are granted to the contractor for a period in excess of the 3 year period provided in § 1-9.107-5(a)(c)(2)(i) the Government agency shall specify the duration of such additional period needed to bring the invention to the point of practical application or to accomplish licensing of others.</u>	Rejected	Outside the Presidential Statement. Contractor has principal rights for term of patent unless required to license others by agency.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
VA (Prosthetic & Sensory Aids Service)	§ 1-9.107-5(a)(c)(1). The option of providing explicit paid-up licenses for state and domestic municipal governments is relatively novel and seems wise. In prosthetics, and probably in health fields generally, state and local governments provide rehabilitation and medical services (often with Federal reimbursement) on a much larger scale than does the Veterans Administration. State and local agencies typically purchase directly from local artificial limb facilities, for example, without checking on patent status, royalties, etc.	Commentary only	
DOT	§ 1-9.107-5(a)(c)(1) and (2). It is suggested that these two paragraphs be combined as follows: -- <u>With respect to each subject invention to which the Contractor has principal or exclusive rights, the Contractor agrees to and does hereby grant to the Government a non-exclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency) and States and domestic municipal governments, and the Contractor further agrees to grant, upon request of the Government, an exclusive or nonexclusive license on terms that are reasonable under the circumstances to responsible applicants:</u>	Adopted	See rationale to AEC comment on page 64.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(c) Minimum rights granted to the Government. (cont'd.)

<u>SUBMITTED BY</u>	<u>COMMENT</u>	<u>DISPOSITION</u>	<u>RATIONALE</u>
DOT (cont'd.)	It appears that the words "With respect to each subject invention to which the Contractor has principal or exclusive rights" are applicable to both (1) and (2) of paragraph (c).		
HEW	§ 1-9.107-5(c)(2). Line 3, delete / and insert <u>and</u> . The license that the contractor is required to grant is based on the conditions in (i) and (ii), but the punctuation does not indicate this. Left unchanged, it would appear the Government could require license on any condition.	Adopted	Punctuation originally incorrect.

S 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the Contractor.

(1) The Government hereby grants to the Contractor a revocable nonexclusive, royalty-free license on each subject invention for the practice of the invention throughout the United States, its territories and possessions, Puerto Rico, and the District of Columbia. The license shall extend to the Contractor's existing and future associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part and shall be nonassignable without approval by the agency, except to the successor that part of the Contractor's business to which the invention pertains.

(2) With respect to each subject invention licensed pursuant to (1), the Contractor shall furnish written reports to the agency, upon request, as to:

- (i) The steps taken by the Contractor to bring the invention to the point of practical application; or
- (ii) The manner and extent to which he is practicing the invention.

(3) The license may be revoked by the agency if the Contractor:

- (i) Defaults in making any report required by (2); or
- (ii) Willfully makes a false statement of a material fact or willfully omits a material fact in any report required by (2).

(4) The license may also be revoked by the agency if there is no other nonexclusive license in force and the Contractor:

- (i) Fails to bring the invention to the point of practical application within 1 year after the invention has been published by the Government as available for nonexclusive licensing or within 6 months after a patent has been issued on the invention, whichever is earlier, or subject to the approval of the agency, within a longer period; or

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the contractor. (cont'd.)

(ii) Brings the invention to the point of practical application within the period specified in (i) but fails to continue to practice the invention.

(5) After termination of the period specified in 4(i), the agency may restrict the license granted to the Contractor to the fields of use and the geographic areas in which the Contractor is practicing the invention.

(6) Before revoking or restricting the license pursuant to (3), (4), or (5), the agency shall furnish the Contractor written notice of its intention to restrict or revoke the license and the Contractor shall be allowed 30 days after such notice to furnish the report required by (2) or to show cause why the license should not be restricted or revoked. The decision of the officer authorized to act for the agency in this matter shall be final, provided the Contractor shall have the right to obtain review of the decision by the agency head in accordance with agency procedure.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AEC	§ 1-9.107-5(a)(d) - This section's automatic grant of a license to the contractor is not in conformance with Section 1(h)(i) of the President's Statement of August 23, 1971, which authorizes, but does not require such grant. In addition, there are contractors who neither need nor want a license in Subject Inventions. It is therefore recommended that the first line of subparagraph (1) delete <u>/hereby grants/</u> and substitute -- <u>will upon request grant</u> --.	Substantially adopted	See rationale on AEC comment on page 40.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AEC (cont'd)	The second sentence of § 1-9.107-5(a)(d)(1) grants broad and ill-defined license rights to affiliates, etc. The wording might be construed to grant the license to foreign affiliates which the agency would not otherwise consider for licensing. It is also noted that the section is concerned with U. S. license rights only. It is therefore suggested that, as a minimum, the word -- <u>domestic</u> -- be inserted before "companies".	Substantially adopted	Section 1(i) of the Presidential Statement contemplates a license to a contractor in domestic and foreign patent applications, and a limitation thereof to domestic subsidiaries and affiliates of the contractor would be consistent therewith.
NASA	The provisions of § 1-9.107-5(a)(d)(1) indicate that the Government grants the contractor a revocable, royalty-free license in subject inventions even though the contractor has not requested such rights. Section 1-9.107-5(f) contains alternative provisions wherein the contractor is granted an irrevocable license in subject inventions. If alternative paragraph (f) is used, the effect would be to remove all utilization reporting requirements from the patent rights clause, even if the contractor was granted principal or exclusive rights. Therefore, substitution should be between § 1-9.107-5(f) and subparagraph (d)(1) of the patent rights clause.	Substantially adopted	The requirements for "utilization reports" will only be made in those situations where the contractor retains principal rights and where the agency intends to revoke the contractor's revocable license unless he can show utilization of the invention. A similar requirement now appears in paragraph (c)(3) of § 1-9.107-5(a).

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

- (a) Patent Rights clause - Option in the Government. (cont'd.)
- (d) Minimum rights to the contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA (cont'd.)	Further, the only choice presented by the FPR, with regard to licenses granted to contractors on subject inventions, is that the license be granted or revoked as a part of the patent rights clause. The present practice of many Government agencies is to grant contractors licenses in subject inventions only after specific request is made therefor or, in the case of NASA, to grant such licenses under its licensing program. When these licenses are granted under the NASA licensing program, revocation of the license granted to the contractor is pursuant to our licensing regulations rather than our contract clause. We would recommend that agencies be permitted to omit the license granted to contractors from the patent clause and that the license and revocation provisions for licenses in these situations be made a discretionary part of the GSA licensing regulations.	Rejected	A number of alternative provisions have been provided for granting minimum rights in subject inventions consistent with the flexibility of the Presidential Statement. It has been determined that it is more appropriate to provide a procedure in the Patent Rights clause for reaching the contractor's rights in a subject invention, rather than to provide for the application of the revocation procedures in the GSA patent licensing regulations.
CODSIA	§ 1-9.107-5(a)(d)(I), line 1, delete <u>/a/</u> and substitute therefor, -- <u>an irrevocable or</u> --. line 2, insert -- <u>world including the</u> -- before the words "United States". To conform with Statement.	Rejected	Inclusion of "an irrevocable or" would render scope of license reserved indefinite. 1-9.107-5(g) provides for substitution of a subparagraph in the clause where an irrevocable license is to be reserved. The license reserved to the contractor should be coextensive with the patent applications filed throughout the world.
		Substantially adopted	

§ 1-9.107-5. Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	<p>§ 1-9.107-5(a)(d)(1), line 5, after the word "part", insert -- <u>together with the right to grant sublicenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded, --.</u> To permit Contractor to comply with a third party agreement entered into independently of, and prior to the time of the award of, the Government contract.</p>	Adopted	Reason provided by the commentor.
	<p>§ 1-9.107-5(a)(d)(2), line 1, delete everything after (1), and insert -- <u>upon which the Agency determines that some degree of exclusivity may be necessary to encourage further development and commercialization of the invention and others are willing to work the invention on an exclusive license basis, the Contractor shall, upon request, furnish written reports to the Agency as to whether or not he is working the invention. If, after a determination of necessary exclusivity, it appears the Contractor is not working any such invention, his license therein may be revoked. (To conform with Statement.)</u> It strengthens the logical relationship of this paragraph to the contents of 9.107-5(a)(d)(1).</p>	Rejected	Revised language permits the agencies to comply with the data acquisition of Section 3(b) of the Presidential Statement.

§ 1-9.107-5(a) Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOD	Change title to read "Minimum rights <u>reserved</u> to the Contractor."	Rejected	Not considered necessary in Title.
	§ 1-9.107-5(a)(d)(1). Delete the first sentence and insert -- <u>Except as provided in (f) below, a nonexclusive royalty-free license is reserved to the Contractor to practice each Subject Invention throughout the world.</u> --	Substantially adopted	Revised language endorses the concepts suggested.
	Delete § 1-9.107-5(a)(d)(2) and (3). The President's Statement does not call for the reports referred to in these subparagraphs.	Substantially adopted	Use reports will be required only upon impending revocation of a contractor's license.
	§ 1-9.107-5(a)(d)(4), (5) and (6). Simplify into a single subparagraph reading as follows: -- (2) <u>The license may be revoked or restricted to the extent that it would be inconsistent with any exclusive license granted pursuant to agency regulations. Before revoking or restricting the license the agency shall furnish the Contractor written notice of its intention to restrict or revoke the license and allow the Contractor 30 days to show cause why the license should not be restricted or revoked. The decision of the officer authorized to act for the agency in this matter shall be final, provided the Contractor shall have the right to obtain review of the decision by the agency head in accordance with agency procedure.</u> --	Substantially adopted	Revised language substantially accommodates the proposal for reasons stated.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	§ 1-9.107-5(a)(d)(2), the contractor is required to furnish written reports to the agencies on the steps he has taken to bring the invention to the point of practical application. This provision would seem to apply only to the case where the Government has retained the principal or exclusive rights to the subject invention. [It would appear that this reporting provision would be more applicable to Section (c) on Minimum Rights Granted to the Government,] and in any event, should only apply to the subject inventions upon which a patent application has been filed.	Rejected	See rationale to the DOD comments on page 75 pertaining to utilization reports.
		Withdrawn	
		Substantially Accommodated	Language of § 1-9.107-5(a)(d)(2) as revised substantially accommodates this part.
JUSTICE (WERTH)	§ 1-9.107-5(d)(2), line 2, delete <u>upon request</u> and insert -- <u>at time intervals set by the agency and such other times as may be requested by the Government agency</u> --.	Rejected	Specific nature or "upon request" appears to better lend itself to inclusion in implementation instructions of individual agencies.
(RYAN)	The reports required under § 1-9.107-5(a)(d)(2) should be mandatory at stated intervals, with the agency having the right to request reports at any other time. Stating in the contract when reports will be submitted is consistent with the "upon request" provision of the President's Statement.	Rejected	Revised section only requires such reports when requested by agency in furtherance of an application for an exclusive license.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the Contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AMA (Chrysler Corp - Talburtt)	<p>§ 1-9.107-5(a)(d)(4)(i). The time periods specified are much too short and both the one year period and the 6-month period recited in this particular clause should be increased to 3 years. It is foreseeable that the necessary work and expense involved in bringing invention to the point of practical application may be dependent on the actual issuance or allowance of the corresponding patent, and thus, a period of 3 years is believed to be quite realistic and necessary for the protection of the contractor-inventor.</p> <p>Unless the extended period herein requested, namely, 3 years for bringing the invention to the point of practical application is granted, it is believed the sections (d)(4)(i), and (d)(4)(ii), and (d)(5) would work an injustice against the inventor and particularly the small inventor who requires time and financing to extend the practicing of his invention to a point where it may be substantially developed for its various fields of use and the geographic areas in which the inventor is practicing the invention.</p> <p>I submit that the herein requested amendment to § 1-9.107-5(a)(d)(4)(i) is a necessary and reasonable amendment to the proposed FPR concerning the disposition of patent rights.</p>	Rejected	<p>Revocation is not to occur until an exclusive license application has been received and the agencies decide to grant the "exclusive license." Under the GSA Patent Licensing Regulations, the 6-month period is a bare minimum and normally, the period will be substantially longer.</p>

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the Contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA	<p>In § 1-9.107-5(a)(d)(2), delete (i) and (ii) in their entirety. Also delete all of § 1-9.107-5(a)(d)(3). These paragraphs are no longer necessary in view of the preceding revision. The deletion is also appropriate because the items have no basis in the Statement.</p>	Adopted in part	Revised section only requires reports when an agency is considering the grant of an exclusive license.
	<p>In § 1-9.107-5(a)(d)(4)(i), line 1, insert -- <u>take steps to</u> --, after the words "Fails to". The proposed statement is unreasonably severe. It should be permissible for a Contractor to avoid revocation when he is taking positive steps to bring the invention to the point of practical application.</p>	Adopted	Revised language takes into consideration the steps taken or to be taken by the Contractor to bring the invention to the point of practical application.
	<p>Delete § 1-9.107-5(a)(d)(4)(ii). If the contractor brought the invention into use, he should not be penalized by revoking his license for failure to continue practicing the invention. He may have only temporarily discontinued practicing the invention, and should not be kept from picking it up again in the future.</p>	Adopted	The revised language does not exclude consideration of temporary discontinuance of use.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the Contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	§ 1-9.107-5(a)(d)(5), line 2, after the word "Contractor" insert -- <u>intends to bring the invention to the point of practical application, unless he</u> --. The proposed FPR states an unreasonable and unjustifiable requirement. No one should be expected to work an invention, at any point in time, everywhere it could possibly be worked. Working of the invention should be enough to permit the Contractor to practice the invention in whatever field and wherever he wants. Otherwise, the incentive to work the invention at all may be diminished.	Adopted	The revised language does not exclude consideration of a definite intent to bring the invention to the point of practical application.
	Renumber (d)(4), (d)(5) and (d)(6) to (d)(3), (d)(4) and (d)(5) respectively, and add the following new paragraphs: --(6) <u>Paragraph (d)(1) is of no effect as to any subject invention in a patent application filed prior to execution of this contract. The Government hereby grants to the contractor an irrevocable, nonexclusive, royalty-free license on each subject invention in a patent application filed prior to the execution of this contract. The license is for the practice of the invention throughout the world including the United States, its territories and possessions, Puerto Rico, and the District of Columbia. The license shall extend to the</u>	Substantially adopted	Revised language of § 1-9.107-4(e) permits agency to grant an irrevocable nonexclusive license at its option. The provision for exercising this option has been added in § 1-9.107-5(h).

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the Contractor. (cont'd.)

SUBMITTED BY COMMENT

DISPOSITION

RATIONALE

CODSIA
(cont'd.)

contractor's existing and future associated and affiliated companies, if any, within the corporate structure of which the contractor is a part, together with the right to grant sublicenses of the same scope to the extent the contractor was legally obligated to do so at the time the contract was awarded, and shall be nonassignable without approval by the Agency, except to the successor of that part of the contractor's business to which the invention pertains.

(7) Paragraph (d)(1) is of no effect as to any subject invention that is in a field of technology in which the contractor has a technical or commercial competence. The Government hereby grants to the contractor an irrevocable, nonexclusive, royalty-free license on each subject invention that is in a field of technology in which the contractor has acquired a technical competence, directly related to an area in which the Contractor has an established non-Governmental commercial position. The license is for the practice of the invention throughout the world including the United States, its territories and possessions, Puerto Rico, and the District of Columbia.

Rejected

The revised language does not exclude consideration of the contractors definite intent to bring the invention to the point of practical application in a field of technology in which he has acquired a technical competence.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the Contractor. (cont'd.)

SUBMITTED BY COMMENT DISPOSITION RATIONALE

CODSIA
(cont'd.)

The license shall extend to the contractor's existing and future associated and affiliated companies, if any, within the corporate structure of which the contractor is a part, together with the right to grant sublicenses of the same scope to the extent the contractor was legally obligated to do so at the time the contract was awarded, and shall be nonassignable without approval by the Agency, except to the successor of that part of the contractor's business to which the invention pertains. --

In keeping with the Statement, the Agency heads should effect the policy's greater latitude to grant to contractors additional rights to Government-sponsored inventions. Accordingly, there should be a specific provision (i.e., item "(6)" herein), to grant an irrevocable license to a contractor, who, prior to the award of the contract, constructively reduced to practice the subject invention which was first actually reduced to practice under the contract. Thus, prior to the award of the contract, the contractor would have either a patent application or a patent. Correspondingly, in those situations, (see item "(7)" herein) where the Contractor has a technical or commercial competence, he should receive an irrevocable license whenever the subject invention is in a field of technology within the

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

- (a) Patent Rights clause - Option in the Government. (cont'd.)
- (d) Minimum rights to the Contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	contractor's competence. This provision will further the direction and intent of the Statement because it is such a contractor who, ordinarily more than any other, will do more to commercialize the invention so long as he has the incentive of irrevocable rights therein. Revocable rights will not be an incentive to the contractor.		
GSA	§ 1-9.107-5(a)(d)(6). The decision of the officer is not final because it may be reviewed by the agency head, and it does not say that the latter's decision shall be final and not subject to the Disputes clause. Such a statement should be added.	Substantially adopted	Last sentence of subparagraph (d) (3), as revised, of § 1-9.107-5(a) states that the contractor may appeal the agency's decision pursuant to the agency's procedures.
JUSTICE (RYAN)	§ 1-9.107-5(a)(d)(6). Where proceedings to revoke or restrict a license are dropped upon the contractor's action, the decision of the agency should be made a matter of public record in the <u>Federal Register</u> , together with a statement of the basis for the agency action, which should include the data submitted by the contractor in establishing why the license should not be revoked or restricted, except that the published record need not contain reports submitted pursuant to § 1-9.107-5(a)(d)(2).	Rejected	Unnecessarily burdensome. Purpose served is considered unwarranted.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(d) Minimum rights to the Contractor. (Cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
POSTAL SERVICE	It is not clear whether the intent of the clause cited in paragraph 1-9.107-5(a)(d)(6) is to reflect appeal rights under the Disputes Clause normally included in all Government contracts, or whether it is intended to create a separate and different type of appeal right and procedure.	Substantially adopted	See rationale to GSA comment on page 82.
ABA (LANE)	In § 1-9.107-5(a)(d)(6), the provision for finality may well be in violation of the Wunderlich Act. It seems to us that a dispute over propriety of revocation or restriction of a license would be a dispute of fact or law within the Disputes clause and the Wunderlich Act, and that therefore the decision of the authorized officer could only have limited finality. It would be simple to provide here that the officer's decision shall be subject to appeal under the Disputes clause.	Substantially adopted	See above.
DOT	§ 1-9.107-5(a)(d)(6). This paragraph provides that the decision of the Contracting Officer shall be final, provided the contractor shall have the right to obtain review of the decision by the agency head in accordance with agency procedure. The clause should make the decision of the Contracting Officer subject to the 'Disputes' Clause of the contract.	Substantially adopted	See above.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

- (a) Patent Rights clause - Option in the Government. (cont'd.)
- (d) Minimum rights to the contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
HEW	The guarantee of a nonexclusive license to the contractor at the time of contract is contrary to the policy of this Department and to ease in administering a licensing program. Attachment #2 at the end of the COMMENT section reflects HEW's current policy regarding the grant of non-exclusive licenses to contractors. The proposed clauses' suggested <u>pro forma</u> grant of nonexclusive licenses through the contract creates a substantial administrative problem to any agency actively licensing its patent portfolio, since this would require administration of a substantially larger number of licenses than required under a situation where licenses are granted on a case-by-case basis. It is recommended that this paragraph be re-analyzed, especially in the light of the GSA licensing regulations.	Substantially adopted	See disposition of AEC comment on page 40. Taken care of by the alternative subparagraphs.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government (cont'd.)

(e) Invention disclosures and reports. For each subject invention of the Contractor, the Contractor shall furnish the Contracting Officer:

(1) A complete technical disclosure, promptly after conception or first actual reduction to practice, whichever occurs first under the contract (such disclosure shall identify the contract and inventor and be sufficiently complete in technical detail to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and to the extent known the physical, chemical, biological, or electrical characteristics of the invention):

(2) Interim reports at least every 12 months from the date of the contract, each report listing all such inventions made under the contract and not listed on a prior interim report, or certifying that there are no reportable inventions; and

(3) A final report, prior to final settlement of this contract, listing all such inventions including all those previously listed in interim reports, or certifying that there were no reportable inventions.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NSF	<p>{The reporting requirements included in § 1-9.107-5 (a)(e) appear inconsistent with the spirit of the President's policy and should possibly be left to agency implementation insofar as reporting is concerned.} {The same applies to 1-9.107-5(a)(f) and in view of the nature of the regulation, it is suggested that paragraph (f) on forfeiture be deleted.}</p>	<p>Rejected</p> <p>Substantially adopted</p>	<p>Uniform reporting requirements are desirable.</p> <p>The forfeiture provisions are applicable only to the LONG FORM Patent Rights clauses, § 1-9.107-5(a), (b) and (c). The Short Form Patent clauses of § 1-9.107-6(a), (b) and (c), which omit the forfeiture clause, may be used by an agency when contracting with non-profit organizations. Contracts with nonprofit organizations for basic or applied R&D may use the Short Form Patent Rights clause.</p>

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(e) Invention disclosures and reports. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
VA (PROSTHETIC & SENSORY AIDS SERVICE)	The reports required every 12 months in § 1-9.107-5(a)(e)(2) are a modest duty added to present formal practices, though in recent years we have informally asked some research contractors likely to make inventions so that the agency's patent report could be prepared. Since the contract anniversary will not necessarily coincide with the report needs, informal checks will probably have to be continued.	Commentary only	
INTERIOR	§ 1-9.107-5(a)(e), line 1, delete For each subject-invention-of-the-contractor; -t/ and insert -- <u>T</u> --. This phrase is inconsistent with items (2) and (3) which reads in the plural.	Adopted	See (e)(2) of the revised Patent Rights clause. Language is unnecessary and is cancelled by the revision.
JUSTICE (RYAN)	It would appear that § 1-9.107-5(a)(e) should require reports on the contractor's intentions or efforts toward development and commercialization of inventions.	Substantially adopted	Reports required under paragraphs (c)(3) and (d)(2) of § 1-9.107-5(a) are deemed adequate.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(e) Invention disclosures and reports. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH)	<p>It is recommended that the following be added to § 1-9.107-5(a)(e):</p> <p>-- (4) <u>Within six months after the submission of the final report required by the preceding paragraph (3) or six months subsequent to the term of the contract, whichever is later, written information concerning the conception or actual reduction to practice, or both, of every contractor proprietary invention which pertains to the work called for by the contract or whose subject matter is related to a subject invention whenever such invention was first conceived or actually reduced to practice within six months prior, during or six months subsequent to the term of the contract. At the request of the contracting officer made during or subsequent to the term of a contract, including any extensions for additional research and development work, the contractor shall furnish information concerning any other invention which appears to the contracting officer to reasonably have the possibility of being a subject invention. All information supplied by the contractor hereunder shall be of such nature and character as to enable the contracting officer reasonably to ascertain</u></p>	Adopted in part	The additional work required of the contractor and Government, pursuant to the commentator's recommendation, is not fully justified by the marginal additional benefit. However, paragraphs (e)(1), (f)(1)(ii)(A), and (g)(2) of § 1-9.107-5(a) was added to require the contractor to maintain records concerning the making of inventions.

§ 1-9.107-5. Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(e) Invention disclosures and reports. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH) (cont'd.)	<u>whether or not such invention is a subject invention. Failure to furnish such information shall raise the presumption that such invention is a subject invention. Such presumption shall be rebuttable and may be overcome by the presentation of evidence sufficient for this purpose. After receipt of information furnished pursuant hereto, the contracting officer shall not unduly delay rendering his opinion on the matter. The contracting officer's decision shall be subject to the disputes clause of the contract, or, in the absence of such clause, shall be subject to appeal to the head of the Government agency or his duly authorized representative. --</u>	See page 87	

The above recommended additional paragraph to "(e) Invention disclosures and reports" of the proposed amendment of the FPR is expected to be helpful in securing for the Government at least a nonexclusive, royalty-free license under all subject inventions. It should be particularly helpful to resolve conflicts as to whether an invention should properly be designated as a subject invention even though the contractor claims it to have been made separate and apart from the work of the contract to which it is

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(e) Invention disclosures and reports. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH) (cont'd.)	related since conflicts of this type can best be resolved at an early date after an invention is made. The reason is that evidence and personnel having knowledge of pertinent facts to resolve such questions are more likely to be available shortly after inventions are made. This justifies requiring reports of related contractor-made inventions.	See page 87	
DOD	§ 1-9.107-5(a)(e)(1). Change the terminal portion to read "..., biological, electrical, or other essential characteristics"	Substantially adopted	Additional language used in paragraph (e)(2)(i) is intended to encompass the most essential characteristics of subject inventions for disclosure purposes.
	§ 1-9.107-5(a)(e)(2). Line 2, delete made and insert -- <u>conceived or first actually reduced to practice</u> -- to be consistent with subparagraph (1).	Adopted	Word "made" was deleted since it is redundant. Substitute words are considered proper.
	§ 1-9.107-5(a)(e)(3). Delete settlement and insert -- <u>payment</u> --, to be consistent with paragraph (k).	Substantially adopted	"Settlement" only applies to contracts which are terminated. Revised language better identifies when the final report is due.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(f) Forfeiture of rights in unreported subject inventions.

(1) The Contractor shall forfeit to the Government all rights in any subject invention which he fails to report to the agency at or prior to the time he (i) files or causes to be filed a United States or foreign application thereon; or (ii) submits the next interim report required by (e)(3), whichever is later, provided that the Contractor shall not forfeit rights in a subject invention if (A) contending that the invention is not a subject invention, he nevertheless reports the invention and all facts pertinent to his contention to the Contracting Officer prior to taking the actions specified in (1) or (2), above; or (b) he establishes that the failure to report was due entirely to causes beyond his fault or negligence.

(2) Pending written assignment of such forfeited subject invention and the patent applications and patents pertaining thereto, the Contractor shall be deemed to hold the invention, and the patent applications and patents pertaining thereto, in trust for the Government. The forfeiture provision under this paragraph shall be in addition to and shall not supersede other rights and remedies which the Government may have with respect to subject inventions.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
POSTAL SERVICE	§ 1-9.107-5(a)(f)(1). There appears to be an error in paragraph (f)(1). It is our opinion that the phrase "specified in (1) or (2) above" should read, "specified in (i) or (ii) above."	Substantially adopted	Typographical error avoided by redrafted provision.
COMMERCE	§ 1-9.107-5(a)(f)(1). Line 6, delete (i) and (2) and insert -- (i) and (ii) --.	Substantially adopted.	Typographical error avoided by redrafted provision.
DOD	§ 1-9.107-5(a)(f)(1)(ii). Delete Next-interim and insert -- <u>final</u> -- to preclude operation of this provision until the contract is completed and the contractor has had an opportunity to review his records, as provided in ASPR.	Adopted	"Interim" report is unnecessarily harsh.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(f) Forfeiture of rights in unreported subject inventions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NSF	Reporting requirements in 1-9.107-5(a)(e) and the forfeiture provision in 1-9.107-5(a)(f) appear inconsistent with the spirit of the President's policy and should possibly be left to agency implementation insofar as reporting is concerned. In view of the nature of the regulation, we would suggest that paragraph (f) on forfeiture be deleted.	Rejected	Reporting and forfeiture provisions are deemed desirable to effect compliance by contractors, but have been omitted from the Short Form Patent Rights clause for use with nonprofit institutions.
GSA	§ 1-9.107-5(a)(f)(1). Delete was due entirely to causes beyond his fault or negligence . The contractor does not forfeit his rights for failure to report a subject invention if he establishes that such failure "was due entirely to causes beyond his fault or negligence." It is not clear how a contractor could establish those facts, since he should be responsible for the acts, or failure to act (or report) on the part of himself and his personnel, even where dishonesty is involved. He is equally responsible for sub-contractors.	Substantially adopted	Clarification provided by the revised paragraph.
CODSIA	§ 1-9.107-5(a)(f)(1), line 1, delete shall and insert -- <u>may</u> --. line 7, after "negligence" insert -- ; or (C) <u>he establishes that the failure to report was reasonable under the circumstances</u> --.	Rejected Substantially adopted	This would make provision ineffective. Avoids undue harshness of prior provision.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(f) Forfeiture of rights in unreported subject inventions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	Changes made to add the requisite amount of reasonableness to the paragraph, and to provide for a greater latitude of action on the Government's part under certain circumstances calling for reasonable action.		
	§ 1-9.107-5(a)(f)(1)(ii), line 3, delete next interim and insert -- <u>final</u> --. This is an editing correction. The reference in the same line to (e)(3) indicates a reference to the final report. Furthermore, the Contractor should be given an opportunity to report all inventions in the final report without penalty.	Adopted	See rationale of DOD comment on page 90.
	§ 1-9.107-5(a)(f)(2), delete first sentence in its entirety. The "in trust for Government" requirement is improper and not in keeping with spirit of Statement.	Rejected	This would unduly weaken the forfeiture provision.
NASA	§ 1-9.107-5(a)(f) does not deal with the basic disposition of patent rights under the President's Memorandum, but is an administrative provision for enforcing the provisions of patent rights clauses. This provision is essentially out of the existing ASPR patent clauses and fit into DOD's scheme for enforcing their patent rights provisions. The civilian agencies, on the other hand, do not use	Substantially adopted	See added § 1-9.109. The administrative provisions were retained in the Long Form Patent Rights clause.

s 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(f) Forfeiture of rights in unreported subject inventions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA (cont'd.)	the exact ASPR administrative provisions nor does the proposed FPR include a section on the administration of the patent rights clause as is presently found in the ASPR, 9-109.2. Therefore, we recommend that the above-noted administrative provisions of the proposed FPR patent rights clause be removed or that the FPR consider administrative problems and promulgate a policy section on this subject.	Substantially adopted	The Short Form Patent Rights clause omits the penalty and surveillance provisions and these clauses may be used with nonprofit organizations.
HEW	Paragraphs 1-9.107-5(a)(f), (g), and (k) are characterized as "surveillance and penalty" clauses. These clauses are inimical to the character of university and nonprofit organization contractors, and it is suggested, at very least, that separate clauses be drafted for that type of contractor. Further, if there is an insistence that the proposed clauses be applied to the grant situation, it should be noted that the surveillance and penalty clauses are entirely out of keeping with the theory of the grant mechanism, and would, in fact, be unenforceable in certain aspects; i.e., there is no mechanism to withhold grant funds, nor are grantees required to maintain the type of records discussed in subparagraph (g).		

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(g) Examination of records relating to inventions. The Contracting Officer or his authorized representative shall, until the expiration of 3 years after final payment under this contract, have the right to examine any books, records, documents, and other supporting data of the Contractor which the Contracting Officer or his authorized representative shall reasonably deem directly pertinent to the discovery or identification of subject inventions or to compliance by the Contractor with the requirements of this clause.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	§ 1-9.107-5(a)(g) does not deal with the basic disposition of patent rights under the President's Memorandum, but is an administrative provision for enforcing the provisions of patent rights clauses. This provision is essentially out of the existing ASPR patent clauses and fit into DOD's scheme for enforcing their patent rights provisions. The civilian agencies, on the other hand, do not use the exact ASPR administrative provisions nor does the proposed FPR include a section on the administration of the patent rights clause as is presently found in the ASPR, 9-109.2. Therefore, we recommend that the above-noted administrative provisions of the proposed FPR patent rights clause be removed or that the FPR consider administrative problems and promulgate a policy section on this subject.	Substantially adopted	See rationale to NASA comment on page 92.
GSA	§ 1-9.107-5(a)(g). The Contracting Officer's access is limited to those books, etc., which he "... shall reasonably deem directly pertinent" This phrase has built-in problems.	Substantially adopted	Revised language clarifies the scope of the Contracting Officer's access to the Contractor's records.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(g) Examination of records relating to inventions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
GSA (cont'd.)	The contractor could claim that almost any request for books or records is "unreasonable," or that they are not "directly pertinent." The latter phrase is taken from the Comptroller General's statutory right to audit. It is not found in the statutes or regulations of the procurement agencies, which consider it to be limiting. We recommend deletion of the complete phrase quoted above and the use of an audit clause patterned after GSPR 5-53.304, which provides "access to and the right to examine any books...." See also the broad audit clause in ASPR 7-104.41(a).		
AEC	It is believed that subparagraphs (g) and (h) of § 9.107-5(a) are inadequate to protect the rights of the Government in records. The three-year period would not protect all documents needed during patent prosecution such as Rule 116 Amendments, interference proceedings, etc. and would be grossly inadequate to protect the records needed for the defense of claims against the Government and other litigation. It is therefore suggested that subparagraphs (g) and (h) be deleted and the following substituted:	Rejected.	Comment appears to be directed toward rights in data.

95

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(g) Examination of records relating to inventions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
--------------	---------	-------------	-----------

AEC
(cont'd.)

-- All drawings, specifications, notebooks, reports, and other technical data, and memoranda of every description relating thereto, shall be subject to inspection by the Government Agency at all reasonable times, shall be the property of the Government and may be used by the Government for any purpose whatsoever without any claim on the part of the contractor and its sub-contractors for additional compensation and shall, subject to the right of the contractor to retain a copy of said material for its own use, be delivered to the Government, or otherwise disposed of by the contractor either as the Contracting Officer may from time to time direct during the progress of the work or in any event as the Contracting Officer shall direct upon completion or termination of this contract. The contractor's right of retention and use shall be subject to the security, patent, and use of information provisions, if any, of this contract. --

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(g) Examination of records relating to inventions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
HEW	Paragraphs 1-9.107-5(a)(f), (g), and (k) are characterized as "surveillance and penalty" clauses. These clauses are inimical to the character of university and nonprofit organization contractors, and it is suggested, at very least, that separate clauses be drafted for that type of contractor. Further, if there is an insistence that the proposed clauses be applied to the grant situation, it should be noted that the surveillance and penalty clauses are entirely out of keeping with the theory of the grant mechanism, and would, in fact, be unenforceable in certain aspects; i.e., there is no mechanism to withhold grant funds, nor are grantees required to maintain the type of records discussed in subparagraph (g).	Substantially adopted	See rationale for the HEW comment on page 93.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(h) Right to disclose subject inventions. The Government may duplicate and disclose reports and disclosures of subject inventions required to be furnished by the Contractor or a subcontractor pursuant to this clause.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	§ 1-9.107-5(a)(h) does not deal with the basic disposition of patent rights under the President's Memorandum, but is an administrative provision for enforcing the provisions of patent rights clauses. This provision is essentially out of the existing ASPR patent clauses and fit into DOD's scheme for enforcing their patent rights provisions. The civilian agencies, on the other hand, do not use the exact ASPR administrative provisions nor does the proposed FPR include a section on the administration of the patent rights clause as is presently found in the ASPR, 9-109.2. Therefore, we recommend that the above-noted administrative provisions of the proposed FPR patent rights clause be removed or that the FPR consider administrative problems and promulgate a policy section on this subject.	Substantially adopted	See the rationale to the NASA comment on page 92.
CODSIA	§ 1-9.107-5(a)(h), at end of subparagraph and after the word "clause" insert -- , <u>but in doing so it shall not impair in any way the Contractor's right to file domestic and foreign patent applications</u> --. A mutually desirable requirement in order to protect against the loss of patent rights.	Rejected	Administratively impracticable for most agencies.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(h) Right to disclose subject inventions. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AEC	<p>It is believed that subparagraphs (g) and (h) of § 9.107-5(a) are inadequate to protect the rights of the Government in records. It is therefore suggested that § 1-9.107-5(a) be modified so as to protect the contractor and the Government against statutory bars, to both domestic and foreign patents arising out of publication or disclosure. In the absence of a contractual obligation, the Government might be required under the Freedom of Information Act to disclose. It is therefore suggested that the following paragraph be added:</p> <p>-- <u>Neither the Government nor the Contractor shall publish, or without authorization publicly disclose, a Subject Invention, until the rights in said invention have been determined and the party authorized under the contract to file a patent application or applications has authorized the release of the publication or disclosure, or the periods established by the contract to file said patent application or applications has expired.</u> --</p>	Rejected	Administratively impracticable for most agencies.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(i) Filing of domestic patent applications.

(1) With respect to each subject invention on which the Contractor has the right to file a domestic patent application pursuant to paragraph (b), above, the Contractor shall file or cause to be filed such application within 6 months after submission of the disclosure, or such longer period as may be authorized by the Contracting Officer for good cause shown in writing. Further with respect to such inventions, the Contractor shall promptly notify the Contracting Officer of any decision not to file an application. If the Contractor fails to file or cause to be filed an application within the prescribed period, the Contracting Officer may initiate action to protect the Government's interest.

(2) Within 2 months after such filing or within 2 months of the first written disclosure of such invention if a patent application previously has been filed, the Contractor shall deliver to the agency a duly executed license fully confirmatory of all rights to which the Government is entitled under this clause and, upon request, a copy of the application as filed.

(3) The following statement shall be included within the first paragraph of the specification of any patent application filed and any patent issued on a subject invention: "The Government has reserved rights in this invention, which was made in the course of or under Contract No. _____ (or Grant No. _____) awarded by (identify the agency)."

(4) For each subject invention on which a patent application is filed by or on behalf of the Contractor, the Contractor shall provide to the Contracting Officer, within 2 months after a patent issues on the application, the number of the patent. In addition, he shall furnish the agency upon request:

(i) An irrevocable power of attorney to inspect and make copies of each United States patent application filed by or on behalf of the Contractor covering any such invention; and

(ii) Written reports at reasonable intervals, prior to and after final settlement, as to:

(A) The commercial use that is being made or is intended to be made of such invention; and

(B) The steps taken by the Contractor to bring the invention to the point of practical application, or to make the invention available for licensing.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(i) Filing of domestic patent applications. (cont'd.)

(5) If an application has been filed, the Contractor shall notify the agency, not less than 30 days before the expiration of the response period for any action required by the Patent Office, of any decision not to continue prosecution of such application.

(6) For each reported subject invention on which the Contractor does not file a patent application or discontinues prosecution of an application, the Contractor shall convey to the Government, upon request, the Contractor's entire right, title, and interest in such invention by delivering to the Contracting Officer such duly executed instruments (prepared by the Government) and such other papers as are deemed necessary to vest in the Government the entire right, title, and interest and to enable the Government to apply for and prosecute patent applications covering such invention throughout the world. The conveyance to the Government shall be subject to the reservation of the license to the Contractor specified in (d), above.

(7) For each reported subject invention on which the Contractor does not file a patent application the Contractor shall inform the agency promptly in writing of the date and identity of any sale, public use, or publication of such invention made by or known to the Contractor, or any contemplated action of this nature.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
ISDA	§ 1-9.107-5(a)(i). <u>Filing of domestic patent applications</u> does not apply to this Department. In accordance with our statutory requirements, no patent applications are filed by the Contractor and the assignment to the Government appears on the face of the United States patent.	Commentary only	See rationale to USDA comment on page 8. (It should be noted that this paragraph (i) has been revised and appears as paragraph (j) of the Patent Rights clause in § 1-9.107-5(b).

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(i) Filing of domestic patent applications. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	§ 1-9.107-5(a)(i)(1). With respect to filing of domestic patent applications, the regulation should provide that time in which to file be made a matter of public record, together with the reasons supporting such authorization, including the contractor's written submission on behalf of getting such extension. The same applies to extensions granted by the contracting officer regarding requests for greater rights under § 1-9.107-5(c)(b)(2)(i), concerning deferred determinations.	Rejected	No meaningful purpose would be served by publishing extensions.
CODSIA	§ 1-9.107-5(a)(i)(1), line 3, change "6" to -- <u>12</u> --. Contractors understandably need more than 6 months after reporting to evaluate and file patent applications. line 4, delete promptly and insert -- <u>within 6 months after his election not to file</u> --. This change conforms to the present ASPR requirement, and is more definite than "promptly".	Rejected Rejected	Provisions exist for extension to file when needed. Once a contractor makes a decision not to file, a prompt notification is not deemed to be burdensome.
DOD	§ 1-9.107-5(a)(i)(3). The term "made" can be avoided by substitution of a statement as follows: -- <u>The Government has rights in the invention pursuant to Contract (or Grant) No. awarded by (Agency).</u> --	Adopted	Clearer statement of Government rights.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(i) Filing of domestic patent applications. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	The action required of the contractor under § 1-9.107-5(a)(i)(4) should be made mandatory, and not be dependent upon the Government's request. This can be done by deleting <u>upon request</u> from the second sentence, and inserting in (a)(i)(4)(ii) language providing for specific intervals.	Rejected	The contractor should not be required to prepare a report unless it is requested by an agency and is required in the administration of its programs.
(WERTH)	§ 1-9.107-5(a)(i)(4), line 3, delete <u>upon request</u> .	Rejected	Same as immediately above. See revised paragraph (c)(3).
	§ 1-9.107-5(a)(i)(4)(ii), delete <u>reasonable intervals</u> and insert -- <u>intervals fixed by agency regulations</u> , --.	Rejected	The agency should have complete discretion in determining when to require reports. This is in keeping with the Presidential Statement.
CODSIA	§ 1-9.107-5(a)(i)(4)(ii), delete <u>prior to and after final settlement, as to:</u> and insert -- <u>but not more frequently than once each year, and in keeping with and as set out in (d)(2) herein</u> --.	Rejected	Same as immediately above.
	Also delete § 1-9.107-5(a)(i)(4)(ii)(A) and (B). More frequent reports will be burdensome upon both the Contractor and the Government, and will be found to be unnecessary.	Rejected	This information may be required by an agency in the administration of its program.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(i) Filing of domestic patent applications. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN) & (WERTH)	§ 1-9.107-5(a)(i)(6). Delete <u>upon request</u> to make it mandatory that the contractor convey to the Government his entire right, title, and interest in each reported subject invention on which he does not file a patent application or upon which he abandons prosecution of a patent application. There is no reason why the possibility should exist that contractors might hold back the development and commercialization of inventions or the public availability of information on advances in science and technology.	Rejected	The agency should not be required to obtain the documents of title to an invention in which the Government has no interest.
EPA	§ 1-9.107-5(a)(i)(6) calls for an assignment of all invention rights <u>throughout the world</u> (emphasis added), in the event a contractor either fails to file a patent application or discontinues prosecution of an application. This provision appears to be inconsistent with any grant of foreign rights to a contractor which may have occurred, since it implies that if the contractor does not pursue domestic rights, it loses all foreign rights, as well as domestic rights. We presume this is not the intention of paragraph (i)(6), therefore the following is recommended: line 3, after "entire", add -- <u>domestic</u> --. line 5, after "prosecute", add -- <u>domestic</u> --. line 6, delete <u>throughout the world</u> .	Substantially adopted	The Presidential Statement does not predicate the contractor's foreign rights upon acquisition of domestic rights to a Subject Invention. Provisions as to filing of domestic and foreign patent applications has been revised to substantially accommodate the comment.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(i) Filing of domestic patent applications. (cont'd)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
HEW	<p>§ 1-9.107-5(1)(4), (5), and (6). These subparagraphs appear to be directed to responsibilities that the contractor must undertake if he obtains "greater rights" under Section 1(a) of the President's Statement. The conditions imposed upon the contractor who obtains greater rights after identification of an invention are ordinarily determined at the time of waiver, and not at the time of contracting, as suggested by these subparagraphs. The inclusion of these conditions in the initial contract clause makes it uncertain as to what conditions an agency may include in its waiver determination at the time greater rights are actually granted. It should be noted that HEW now includes in its waiver determinations a number of conditions over and above those called for in these subparagraphs, which may vary, depending on the fact situation of the specific waiver. It appears that the drafters were concentrating their attention on what conditions should be imposed upon the contractor when he was guaranteed title at the time of contracting. The drafters appear to have failed to recognize that the clause also was to be applicable in "greater rights" situations (waiver proceedings). Re-analysis of these subparagraphs is suggested.</p>	Substantially adopted	"Greater Rights" section has been placed in "Procedure" section.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(j) Filing of foreign patent applications.

(1) When the Contractor acquires, pursuant to this clause, the right to file a patent application on a subject invention in any foreign country, he shall file such application in accordance with applicable statutes and regulations and within:

(i) Nine months from the date of a corresponding United States application filed by or on behalf of the Contractor;

(ii) Six months from the date permission is granted to the Contractor to file foreign applications:

(iii) Six months from the date the invention is submitted in an invention disclosure pursuant to (e), above; or

(iv) Such longer period as may be approved by the Contracting Officer.

(2) The Contractor shall notify the agency promptly of each foreign application filed and, upon written request of the agency, shall furnish an English translation of such foreign application without additional compensation.

(3) The Contractor shall convey to the Government, upon request the entire right, title, and interest in and to each such subject invention in each foreign country in which an application has not been filed by the Contractor within the time specified in (1) by delivering to the Contracting Officer duly executed instruments prepared by the Government. The conveyance to the Government shall be subject to the reservation of a nonexclusive and royalty-free license to the Contractor and his existing and future associated companies, if any, within the corporate structure of which the Contractor is a part and shall be nonassignable, without approval of the agency, except to the successor of that part of the Contractor's business to which the invention pertains.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(j) Filing of foreign patent applications. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
USDA	§ 1-9.107-5(a)(j) does not apply to USDA because the contractor assigns the worldwide rights to the Government and does not retain the right to file patent applications abroad.	Commentary only	(It should be noted that this paragraph (j) has been revised and appears as paragraph (k) of the Patent Rights clause in § 1-9.107-5(b).)
COMMERCE	<p>§ 1-9.107-5(a)(j)(1), before the colon, insert <u>--one of the following periods --</u> and cancel (i) to (iv) and insert the following:</p> <p>-- (i) <u>Nine months from the date of a corresponding United States application filed by or on behalf of the Contractor, or if such an application is not filed, six months from the date the invention is submitted in a disclosure pursuant to (e), above;</u></p> <p><u>(ii) Six months from the date the Contractor is authorized to file a patent application in any foreign country pursuant to (b)(3), above;</u></p> <p><u>(iii) Six months from the date permission is granted to file foreign applications where such filing has been prohibited for security reasons; or</u></p> <p><u>(iv) Such longer period as may be approved by the Contracting Officer. --</u></p>	Substantially adopted	Provision has been revised for clarification.
	§ 1-9.107-5(a)(j)(3), line 6, delete <u>7</u> after the word "nonassignable".		

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(j) Filing of foreign patent applications. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
VA (Prosthetic & Sensory Aids Service)	The date when an evolving idea really becomes a formal conception of an invention is very difficult to establish in many cases. We believe that assistance of patent counsel and appropriate searches may often be necessary to identify an invention. § 1-9.107-5(a)(j) probably should also stress withholding of information and deferral of public demonstrations if foreign patent applications are likely to be filed. In the United States, the application may be filed up to a year after first publication or first public use or sale. We understand that some foreign countries allow one year after filing a United States application but do not allow this period after publication or public use or sale.	Commentary only	
INTERIOR	§ 1-9.107-5(a)(j)(1)(ii). After "application" insert -- <u>pursuant to § 1-9.107-5(a)(b)(3) or § 1-9.107-5(c)(b)(3)</u> --. § 1-9.107-5(a)(j)(1)(iii). After "pursuant to" insert -- <u>1-9.107-5(b)(b) wherein the Contractor elects not to file a domestic patent application</u> --. Delete § 1-9.107-5(a)(e). These changes to paragraph (j) clarify filing requirements.	Substantially adopted	Provision has been revised for clarification.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(j) Filing of foreign patent applications. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA	Add the following new § 9.107-5(a)(j)(1): -- <u>Where the Government has a right to acquire the principal or exclusive rights to an invention and does not elect to secure a patent in a foreign country, the Government agrees to and hereby does grant to the Contractor such rights in any foreign country in which the Contractor elects to secure a patent, subject to the Government's right as set forth in this clause.</u> -- To conform with Statement.	Rejected	The agency should have the discretionary right to decide whether a contractor should be permitted to file an application in any foreign country on a subject invention (See § 1-9.109-6(g)(2) as revised.)
	In § 1-9.107-5(a)(j)(1), change "(1)" to -- (2) --.	Rejected	This provision has been revised substantially and these procedural comments are no longer deemed pertinent.
	§ 1-9.107-5(a)(j)(1)(ii), after "applications" insert -- <u>relative to request under Title 35; or</u> --.	Rejected	
	Delete § 1-9.107-5(a)(j)(1)(iii) and change "(iv)" to -- (iii) --.	Rejected	
	§ 1-9.107-5(a)(j)(2). Change "2" to -- (3) --.	Rejected	
	§ 1-9.107-5(a)(j)(3). Line 7, after "part", insert -- <u>together with the right to grant sub-licenses of the same scope to the extent the contractor was legally obligated to do so at the time the contract was awarded,</u> --.	Rejected	

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(j) Filing of foreign patent applications. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	The above change would permit the contractor to comply with a third party agreement entered into independently of, and prior to the time of award of, the Government contract. Furthermore, the revision will accommodate those U. S. organizations which have foreign plants and subsidiaries which should receive the license.		
	Change § 1-9.107-5(a)(j)(3) to § 1-9.107-5(a)(j)(4).	Rejected	See rationale for the CODSIA comment on page 108.
AEC	§ 1-9.107-5(a)(j)(3). Where the Government does not have title to the U. S. application, a certified copy of the U.S. application required to be filed in many foreign countries must be obtained through the contractor. In addition, the contractor and its employee should do all other things necessary for the filing of the foreign application. In addition, it is not believed that the contractor should be entitled to a guaranteed license in any foreign country in which it does not file patent applications. The following changes are therefore suggested in subparagraph (j)(3): Delete the second sentence of the paragraph and	Substantially adopted	For the reasons set forth in the comment submitted by AEC.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(j) Filing of foreign patent applications. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
AEC (cont'd.)	substitute the following sentence: -- <u>The Contractor and its employees shall execute all documents and do all things necessary or proper to enable the Government to file patent applications in such foreign countries as the Government shall elect, and furnish the certified copy of the U.S. application for filing in each foreign country where required.</u> --		
EPA	Paragraph (j)(3) of § 1-9.107-5(a) should include a provision requiring the contractor, upon request, to convey the entire right, title and interest in regard to its foreign patents on Subject Inventions, in the event the contractor elects to discontinue payment of patent maintenance fees in a particular country.	Substantially adopted	The appropriate provisions have been revised to include this concept.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(k) Withholding of payment.

(1) Final payment under this contract shall not be made before the Contractor delivers to the Contracting Officer the final report required by (e)(3), above, all written invention disclosures required by (e)(1), and all information as to subcontracts required by (1)(4).

(2) If at any time before final payment under this contract the Contractor fails to deliver an interim report required by (e)(3) or an invention disclosure required by (e)(1), the agency shall withhold from payment \$50,000, or 5 percent, of the amount of this contract whichever is less (or whatever lesser sum is available if payments have exceeded 95 percent of the amount of this contract) until the Contractor corrects all such failures. If the Contractor is a nonprofit organization, the amount that may be withheld shall not exceed 1 percent of the amount of the contract or \$50,000, whichever is less.

(3) After payments total 80 percent of the amount of this contract, and if no amount is required to be withheld under (2), above, the Contracting Officer may, if he deems such action warranted because of the Contractor's performance under the Patent Rights clause of this contract or other known Government contracts, withhold from payment such sum as he considers appropriate, not exceeding \$50,000, or 5 percent, of the amount of this contract whichever is less, to be held as a reserve until the Contractor delivers all the reports, disclosures, and information specified in (1), above. Subject to the withholding limitation of (2), above, the sum withheld under this subparagraph (3) may be increased or decreased from time to time at the discretion of the Contracting Officer.

(4) No amount shall be withheld under this paragraph while the amount specified by this paragraph is being withheld under other provisions of the contract. The total amount withheld under (2) and (3), above, shall not exceed \$50,000, or 5 percent, of the amount of this contract whichever is less. The withholding of any amount or subsequent payment thereof to the Contractor shall not be construed as a waiver of any rights accruing to the Government under this contract.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(k) Withholding of payment. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	<p>§ 1-9.107-5(a)(k) does not deal with the basic disposition of patent rights under the President's Memorandum, but is an administrative provision for enforcing the provisions of patent rights clauses. This provision is essentially out of the existing ASPR patent clauses and fit into DOD's scheme for enforcing their patent rights provisions. The civilian agencies, on the other hand, do not use the exact ASPR administrative provisions nor does the proposed FPR include a section on the administration of the patent rights clause as is presently found in the ASPR, 9-109.2. Therefore, we recommend that the above-noted administrative provisions of the proposed FPR patent rights clause be removed or that the FPR consider administrative problems and promulgate a policy section on this subject.</p>	Substantially adopted	<p>(It should be noted that paragraph (k) of the Patent Rights clause in § 1-9.107-5(a) appears as paragraph (h).) See rationale to NASA comment on page 92.</p>
NSF	<p>§ 1-9.107-5(a)(k), which deals with the withholding of payment, seems unnecessarily punitive and again, contrary to the spirit of the Presidential policy. In our experience, adequate retention of funds already exist under most contracts and the further requirement for withholding of funds, pending patent disposition, appear to overcomplicate the present contract</p>	Substantially adopted	<p>The withholding of payment provisions has been retained in the Long Form Patent Rights clause, however, they have been omitted in the Short Form clause for use with nonprofit organizations.</p>

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(k) Withholding of payment. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NSF (cont'd.)	closeout system. It should also be noted that a further reason for excluding grants is that they are normally paid in advance in full or periodically by way of a Letter of Credit. Under this arrangement, there is no practical mechanism for withholding funds pending patent closeout.		
INTERIOR	§ 1-9.107-5(a)(k). On the payments aspects, we see no real need for the complicated array of fund withholding provisions related to patents. A simple provision requiring a certification and report prior to final payment under an R&D Contract would seem to give the Government all the leverage it needs. The payment provisions of the contract could then be tailored to provide fund retention as needed. In any event, these elaborate payment withholding provisions seem to ignore the general policy advocated by the OMB in Circular A-101 that for R&D Contracts with educational institutions advance payment should be the rule.	Substantially adopted	The withholding of payment provision is discretionary with the Contracting Officer. A provision regarding "certification" prior to final payment has been retained. As to nonprofit institutions, see rationale to the NSF comment on page 112.
GSA	§ 1-9.107-5(a)(k)(2). In the final sentence, after "nonprofit organization," insert -- <u>and this contract is without profit or fee,</u> --. Conversely, we see no reason to favor the nonprofit if the contract contemplates profit or fee. This principle is recognized in ASPR 4-116.1 and 7-303.7.	Rejected	Nonprofit organizations should be given favorable treatment.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(k) Withholding of payment. (cont'd.)

<u>SUBMITTED BY</u>	<u>COMMENT</u>	<u>DISPOSITION</u>	<u>RATIONALE</u>
GSA (cont'd.)	§ 1-9.107-5(a)(k)(4). We suggest the deletion of the first sentence, which prohibits withholding under this paragraph when there is a withholding under other provisions of the contract. In the latter situation presumably the withholding would be unrelated to this patents clause and we see no reason for this limitation.	Rejected	Contrary to existing policy that withholding should not be accumulated.
HEW	Paragraphs 1-9.107-5(a)(f), (g), and (k) are characterized as "surveillance and penalty" clauses. These clauses are inimical to the character of university and nonprofit organization contractors, and it is suggested, at very least, that separate clauses be drafted for that type of contractor. Further, if there is an insistence that the proposed clauses be applied to the grant situation, it should be noted that the surveillance and penalty clauses are entirely out of keeping with the theory of the grant mechanism, and would, in fact, be unenforceable in certain aspects; i.e., there is no mechanism to withhold grant funds, nor are grantees required to maintain the type of records discussed in subparagraph (g).	Substantially adopted	See the rationale for the HEW comment on page 93.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(1) Subcontracts.

(1) The Contractor shall, unless otherwise authorized or directed by the Contracting Officer, include a Patent Rights clause, modified to identify the parties and containing all the provisions of this clause except provision (k), above, in any subcontract hereunder where a purpose of the subcontract is the conduct of experimental, developmental, or research work. In the event of refusal by a subcontractor to accept this clause, or if in the opinion of the Contractor this clause is inconsistent with the policy as set forth in 41 CFR 1-9.107-3, the Contractor:

(i) Shall promptly submit a written report to the agency setting forth the subcontractor's reasons for such refusal and other pertinent information which may expedite disposition of this matter; and

(ii) Shall not proceed with the subcontract without the written authorization of the Contracting Officer.

(2) The Contractor shall not, in any subcontract or by using such a subcontract as consideration therefor, acquire any rights to subject invention for his own use (as distinguished from such rights as may be required solely to fulfill his contract obligations to the Government in the performance of this contract).

(3) A subcontractor may furnish to the Contractor for transmission to the Contracting Officer invention reports, instruments, and other information required to be furnished to the Contracting Officer under the provisions of such a Patent Rights clause in a subcontract hereunder, or in his discretion (or by direction of the Contracting Officer) he may submit the same directly to the Contracting Officer.

(4) The Contractor shall promptly notify the Contracting Officer in writing of any subcontract containing a Patent Rights clause, and furnish to the Contracting Officer a copy of such contract, and shall notify the Contracting Officer when such subcontract is completed. If there are no subcontracts containing Patent Rights clauses, a negative report shall be included in the final report submitted pursuant to (e)(3).

(5) The Contractor shall exert his best effort to identify all subject inventions of the subcontractor and shall notify the Contracting Officer promptly upon the identification of such invention.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(1) Subcontracts. (cont'd.)

(6) It is understood that the Government is a third party beneficiary of any subcontract clause granting rights to the Government in subject inventions, and the Contractor hereby assigns to the Government all the rights that he would have to enforce the subcontractor's obligations for the benefit of the Government with respect to subject inventions. The Contractor shall not be obligated to enforce the agreements of any subcontractor hereunder relating to the obligations of the subcontractor to the Government in regard to subject inventions.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	§ 1-9.107-5(a)(1). In situations where subcontractors refuse to accept a Patent Rights clause, the regulation gives no guidance to the contracting officer to assist his authorization or direction to the contractor not to include such clause in subcontracts. The lack of guidelines could prevent the Government from realizing to the full its rights where under the prime contract the agency gets principal or exclusive rights. Inclusion of the Patent Rights clause would protect this interest at the subcontract level. In such situations the absence of the clause from the subcontract will leave the Government with only the rights obtained from the prime contractor. Moreover, it should be observed that to permit a subcontractor to obtain a contract without a patent rights clause might well establish inconsistencies with the President's Statement, which embraces "subcontract within its definition of contract.	Substantially adopted	(It should be noted that paragraph (e) has been revised and appears as paragraph (i) of the Patent Rights clause § 1-9.107-5(a).) New section 1-9.107-4(f) has been added with instructions for the Contracting Officer.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(1) Subcontracts. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOD	§ 1-9.107-5(a)(1)(1). This wording will encourage the automatic flow-down of the patent rights clause determined by the agency to be appropriate in the prime contract to subcontracts whereas the Presidential statement contemplates the selection of a clause consistent therewith at all contracting levels. Rewording of this subparagraph to clarify this point may be in order.	Rejected	Normally the same clause will apply to subcontracts and use of any other prescribed clause shall be approved by the Contracting Officer.
COMMERCE	§ 1-9.107-5(a)(1)(2). Line 2, delete <u>/invention/</u> and insert -- <u>inventions</u> --.	Adopted	Editorial correction.
CODSIA	§ 1-9.107-5(a)(1)(3). Line 1, delete <u>/A/</u> and insert -- <u>Only if mutually acceptable to the parties concerned, a</u> --. This relationship with the Subcontractor should exist only if there is mutual agreement between the parties.	Rejected	Same rationale could be applied with equal validity to the Contractor-Government relationship.
	§ 1-9.107-5(a)(1)(4). Line 2, after "Officer" insert -- <u>upon his request</u> --. It would appear to save paper work for both the Contractor and the Government if the furnishing of a copy of a contract, and the notification when the subcontract is completed, are provided only upon request. This would still leave the requirement that the Contracting Officer be notified, which in the great majority of cases is all that will be necessary.	Adopted in part	Revised language of the renumbered paragraph (i)(4) of the Patent Rights clause provides that a copy of the subcontract is only required upon request.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(1) Subcontracts. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOT	§ 1-9.107-5(a)(1)(6). This clause makes the Government a third party beneficiary of any subcontract clause granting rights to the Government in subject inventions and also relieves the contractor of any obligation to enforce the agreements of any subcontractor hereunder relating to the obligations of the subcontractor to the Government. This paragraph seems to put the subcontractor into direct contractual relationship with the Government and gives him a right to an appeal under any 'Disputes' Clause in the contract. Subcontractors, generally, do not have a direct right of appeal to the U.S. Government under the Disputes Clause but may appeal only if the prime contractor agrees to pursue the dispute under the Disputes Clause.	Commentary only	

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(1) Subcontracts. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	<p>§ 1-9.107-5(a)(1)(5). Line 1 after "Contractor" insert -- <u>agrees that he</u> --.</p> <p>Line 1, delete exert his best-effort-to-identify and insert -- <u>request certification from the Subcontractor as to the latter's identification of</u> --.</p> <p>Line 2, delete notify and insert -- <u>provide said certification or a statement as to its unavailability, to</u> --.</p> <p>It is not reasonable for a Contractor to control or supervise or keep track of the activities of their subcontractors in the way of proposed language. The revision is in keeping with the ASPR approach which essentially is to keep the two parties at arms length.</p>	Rejected	Identification of the Subcontractor's "Subject Inventions" is a necessary aid in the Government obtaining reports of Subject Inventions. The suggested revision merely duplicates that which is already required of the Subcontractor.
AEC	<p>§ 1-9.107-5(a)(1)(6). It is believed that the following clause should be added at the end of paragraph (6), before the period:</p> <p>-- <u>but shall assist the Government in any undertaking to enforce such agreements</u> --.</p>	Rejected	Suggested addition is deemed implicit in the existing language. (See U.S. v. Petrocarb, Inc., et al 176 USPO 229.)

PAGE 120 CHANGED TO PAGE 104a.

HEW COMMENTS PERTAIN TO § 1-9.107-5(a)(i) INSTEAD OF § 1-9.107-5(a)(1).

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(m) Related inventions. (PROPOSED)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
INTERIOR	Add the following under § 1-9.107-5(a): <u>(m) Related inventions.</u> <u>(1) The Contractor shall submit to the Contracting Officer within six (6) months after the submission of the final report required by subparagraph (e)(3) of this section, written information concerning the conception or actual reduction to practice, or both, as may be applicable, of every invention made by the Contractor in Contractor's facilities where the work called for under this contract is performed pertaining to the work called for in this contract which was conceived or first actually reduced to practice within the period of three (3) months prior, during, or three (3) months subsequent to the term of this contract, which invention would be a Subject Invention if made under this contract, but which the Contractor believes was made outside the performance of work required under this contract. The Contracting Officer may require additional information to be furnished in confidence by the Contractor. At the request of the Contracting Officer made during or subsequent to the term of the contract, including any extensions for additional research and development work, the Contractor shall furnish information concerning any other invention which appears to the Contracting Officer to reasonably have the possibility of being a Subject Invention.</u>	Rejected	Places an undue administrative burden on the contractor especially if the contractor is a multi-divisional corporation.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(m) Related inventions. (PROPOSED) (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
INTERIOR (cont'd.)	<p>(2) <u>All information supplied by the Contractor hereunder shall be of such nature and character as to enable the Contracting Officer reasonably to ascertain whether or not the invention concerned is a Subject Invention. Failure to furnish such information called for herein shall, in any subsequent proceeding, place on the Contractor the burden of going forward with the evidence to establish that such invention is not a Subject Invention. If such invention is not then presented the invention shall be deemed to be a Subject Invention. After receipt of information furnished pursuant hereto, the Contracting Officer shall not unduly delay rendering his opinion on the matter. In the case of a contract, the Contracting Officer's decision shall be subject to the Disputes Clause of such contract, and in the case of a grant, the decision shall be subject to appeal to the Secretary or his duly authorized representative. The Contractor may furnish the information required under this paragraph (m) as Contractor confidential information, which shall be identified as such. Notwithstanding anything in the foregoing to the contrary, the Contractor shall not be required to disclose any information to the Contracting Officer which would violate any pre-existing agreement with any other party doing business with the Contractor.</u></p>	Rejected	See rationale on page 121.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(m) Related inventions. (PROPOSED) (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
INTERIOR (cont'd.)	This paragraph requires the Contractor to disclose any related inventions. Failure to disclose places the burden of proving that such inventions are not Subject Inventions on the Contractor. In view of the prevalence of parallel research by Contractors and of the recent Mines Safety Appliance and Technitrol decisions, this requirement is considered necessary. The Contractor, who has all the records regarding a particular invention in his possession, should have the relatively easy burden of proving that a questioned invention is not a Subject Invention. As matters now stand, the Government, which ordinarily has no documentation on the matter, has the difficult task proving that such invention in fact is a Subject Invention.		See page 121.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(a) Patent Rights clause - Option in the Government. (cont'd.)

(n) Government license under background patents. (PROPOSED)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
INTERIOR	<p>After the proposed paragraph (m), insert the following paragraph (n):</p> <p><u>(n) Government license under background patents. For use in the specific area of technology in which the purpose of this contract or the work called for thereunder falls, and in conjunction with a Subject Invention or a Specified Work Object, the Contractor agrees to grant to the Government a license in any background patent at reasonable royalties which shall give due credit and allowance for the Government's contribution toward the making, commercial development or enhancement of the invention(s) covered by the background patent. The foregoing shall not preclude a royalty-free license.</u></p> <p>This proposed paragraph recites that any royalties the Government is obligated for under a Contractor's background patent for use with a Subject Invention or specified work object shall take into account the Government's contribution toward enhancement of the background patent. This, it is believed, is a minimum requirement. If the agency believes greater rights are required, these should be negotiated.</p>	Not adopted	The Executive Subcommittee has this proposal under consideration.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(b) Patent Rights clause - Option in the Contractor. Where the agency has determined that the proposed contract comes within § 1-9.107-4(a)(3), the Patent Rights clause set forth in (a), above, shall be included in the contract, except that the name of the clause shall be changed to "Patent Rights - Option in the Contractor" and the paragraph (b) of that clause shall be replaced by the following paragraph (b):

(b) Disposition of rights. The Contractor shall have the right to acquire the entire right, title, and interest throughout the world in and to each subject invention of the Contractor submitted in an invention disclosure pursuant to (e), below, subject to the rights granted to the Government in (c). The Contractor shall include with each invention disclosure an election as to whether a domestic patent application will be filed by or on behalf of the Contractor.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
USDA	§ 1-9.107-5(b) does not apply to USDA because of the title requirement in the Research and Marketing Act.	Commentary only	(It should be noted that in addition to a substitute paragraph (b) in the Patent Rights clause § 1-9.107-5(b), paragraphs (j) and (k) has been added.) Each agency will have to determine to what extent their statutory requirements override the provisions of this policy.
COBSIA	In § 1-9.107-5(b), line 3, after Contractor", insert -- ; paragraph (d) of that clause shall be deleted; --.	Rejected	Some of the provisions of paragraph (d) are needed with respect to the inventions which are not selected by the contractor for filing of patent applications and which are in fact filed by the Government.
	In § 1-9.107-5(b)(b), line 1, delete <u>acquire</u> and insert -- <u>retain</u> --.	Adopted	If the contractor has obtained an assignment from the inventor it would seem proper to have him "retain" rather than "acquire" the title.
	In § 1-9.107-5(b)(b), line 3, delete <u>include with each invention disclosure</u> , and insert -- <u>within 6 months from the date the invention is reported under (e)(1) of this clause, or such extension of time granted by the Contracting Officer, notify the Contracting Officer of --.</u>	Adopted in part	Longer time period has been provided for the disclosure of Subject Inventions and this time period should afford adequate time for the contractor's election.

A realistic approach to the evaluation procedure because most contractors cannot evaluate an invention and make the disposition determination at the time of disclosure reporting.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(c) Patent Rights clause - Deferred Determination. Where the agency has determined that the proposed contract comes within § 1-9.107-4(a)(4), the Patent Rights clause set forth in (a), above, shall be included in the contract, except that the name of the clause shall be changed to "Patent Rights - Deferred Determination" and paragraph (b) of that clause shall be replaced with the following paragraph (b):

(b) Disposition of rights.

(1) Determination. The Government shall have the sole and exclusive power to determine the disposition of the rights in any subject invention of the Contractor and to determine whether or not and where a patent application shall be filed on the invention, except as provided in (c), (d), and (f), below.

(2) Request for greater rights.

(i) The Contractor may request greater rights in a subject invention than the license specified in (d) and the right to file a United States patent application. The request shall be submitted to the Contracting Officer in writing at the time of first disclosure of the invention pursuant to (e), below, or not later than 3 months thereafter or such longer period as may be authorized by the Contracting Officer for good cause shown in writing.

(ii) The request in (i) shall contain a statement of the Contractor's intention and plan to bring the invention to the point of practical application. The Contractor shall establish, upon request, the likelihood that the invention will be more expeditiously developed to the point of practical application under his plan than by Government licensing or dedication to the public. However, if the invention falls within the criteria of 41 CFR 1-9.107-3(a), the request shall set forth information and facts tending to show that (A) the acquisition of such greater rights is a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application or (B) the Government's contribution to the invention was small compared to that of the Contractor.

(3) Foreign rights. If the Government determines not to file a patent application on a subject invention of the Contractor in any particular foreign country, the agency may authorize the Contractor to file a patent application on such invention in such foreign country and to acquire the entire right, title, and interest therein, subject to the license to the Government specified in (c).

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(c) Patent Rights clause - Deferred Determination. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOD	Unlike the "Patent Rights Clause - Option in the Government," which in paragraph (b) explicitly provides for a contractor to agree to grant title to a Subject Invention to the Government unless requested greater rights are granted, this clause is silent as to the status of the title to a Subject Invention when greater rights are not requested or granted to a contractor. Although one may infer from § 1-9.107-5(a)(i)(6), Filing of domestic patent applications, that the title is assignable to the Government, the addition of a provision in this clause paralleling that in the "Patent Rights Clause - Option in the Government" would provide desirable clarification.	Adopted	Revised paragraph (b) of § 1-9.107-5(c) provides for the Government acquiring title whenever the contractor does not obtain greater rights.
JUSTICE (RYAN) & (WERTH)	Regarding Deferred Determinations, § 1-9.107-5(c)(b)(2)(ii) should require mandatorily, without the necessity for the agency requesting it, that the contractor establish in his request for greater rights, the likelihood that the invention will be more expeditiously developed to the point of practical application under his plan than by Government licensing or dedication. Line 2, § 1-9.107-5(c)(b)(2)(ii), delete <u>upon request</u> .	Adopted	In this added § 1-9.109-6, the contractor should include with his request for greater rights his intention to develop the invention.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(c) Patent Rights clause - Deferred Determination. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA	§ 1-9.107-5(c)(b)(2)(i), line 2, delete the remainder of the paragraph after the word "application". Such a time limitation is unwarranted and discriminatory against the Contractor. No one else will be under such limitation.	Rejected	This time period may be extended by the Contracting Officer.
	§ 1-9.107-5(c)(b)(2)(ii), line 1, delete and plan to conform with Statement.	Rejected	Reference to the plans of the contractor stem from the explanation of changes to the 1971 Presidential Memorandum.
	§ 1-9.107-5(c)(b)(2)(ii), line 2, delete establish and insert therefor, -- <u>provide the Government with information</u> --. line 2, after "request," insert -- <u>so as to allow the latter to determine, if such determination is possible or feasible</u> --.	Adopted	The Government should make a finding that the likelihood that the invention will be expeditiously developed by the contractor warrants the granting of greater rights and the contractor should only be required to provide the information upon which the Government finding may be based. (See § 1-9.109-6)
	line 3, delete his and insert -- <u>the Contractor's</u> --.	Adopted	Editorial
	line 8, after "Contractor", insert -- , <u>or (C) acquisition of such rights is not inconsistent with the intent of Section 1(a) of the Presidential Memorandum of August 23, 1971, or (D) that the public interest would be served, taking into account the intentions of Contractor to bring the invention to the point of commercial applications</u> --.	Substantially adopted	The provisions of paragraphs (C) and (D), as suggested by CODSIA, are for the most part already incorporated into the provisions of this section.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(c) Patent Rights clause - Deferred Determination. (cont'd.)

<u>SUBMITTED BY</u>	<u>COMMENT</u>	<u>DISPOSITION</u>	<u>RATIONALE</u>
CODSIA (cont'd.)	The provision as proposed is unwarranted. Section 1(c) of the Statement is pertinent, and only requires "intentions of the Contractor to bring the invention to the point of commercial applications...." Additionally, the Contractor should not be placed into making a judgment that properly belongs with the Government.		

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(d) License for States and municipal governments.

(1) When the agency head determines at the time of contracting that it would not be in the public interest to acquire a paid-up license under a subject invention for States and domestic municipal governments, subparagraph (1) of paragraph (c) in the clause set forth in § 1-9.107-5(a) shall be replaced with the following subparagraph:

(1) The Contractor agrees to and does hereby grant to the Government a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency).

(2) When the agency head wishes to reserve the right to make the determination after the invention has been identified, subparagraph (1) of paragraph (c) in the clause set forth in § 1-9.107-5(a) shall be replaced with the following subparagraph:

(1) The Contractor agrees to and does hereby grant to the Government a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency), States, and domestic municipal governments, unless the agency head determines after the invention has been identified that it would not be in the public interest to acquire the license for States and domestic municipal governments.

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
COMMERCE	§ 1-9.107-5(d)(1)(1), line 2, delete <u>the</u> and insert -- <u>each subject</u> --.	Adopted	It clarifies the sentence.
	§ 1-9.107-5(d)(2)(1), line 2, delete <u>the</u> and insert -- <u>each subject</u> --.	Adopted	It clarifies the sentence.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(d) License for States and municipal governments. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA	<p>§ 1-9.107-5(d)(1)(1), delete <u>The</u> and insert -- <u>Whenever the principal or exclusive rights to an invention remain in the Contractor, the --.</u></p>	Adopted	<p>It would appear to be proper to limit the license granted to the Government by the contractor to only those cases where a patent application is filed by the contractor.</p>
	<p>§ 1-9.107-5(d)(1)(1), line 3, at end of subparagraph, add the following sentence: -- <u>Nothing herein shall imply a license to the Government under any background or third party patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.</u> --.</p>	Rejected	<p>The proposed statement is meant to overcome the AMP decision and to overcome the possible construction of this provision to require a contractor to obtain rights in dominating patent owned by other parties. The Committee is studying this matter. Furthermore, it is not the intent of this clause to require the contractor to obtain, if possible, licenses under dominating patents to which the contractor has no rights.</p>
	<p>Any license other than those under subject inventions should be provided for specifically. The proposed language could be construed to require a Contractor to obtain, if possible, licenses under dominating patents to which Contractor has no rights.</p>		
	<p>§ 1-9.107-5(d)(2)(1), line 1, delete <u>The</u> and insert -- <u>Whenever the principal or exclusive rights to an invention remain in the Contractor, the --.</u></p>	Adopted	<p>It would appear to be proper to limit the license granted to the Government by the contractor to only those cases where a patent application is filed by the contractor.</p>
	<p>§ 1-9.107-5(d)(2)(1), at end of subparagraph, add the following: -- <u>Nothing herein shall imply a license to the Government under any background or third party patent or be construed as affecting the scope</u></p>	Rejected	<p>The proposed statement is meant to overcome the AMP decision and to overcome the possible construction of this provision to require a contractor to obtain rights in dominating patents owned by other parties. The Committee is studying this matter. Furthermore,</p>

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(d) License for States and municipal governments. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
CODSIA (cont'd.)	<u>of any license or other right otherwise granted to the Government under any patent.</u> -- Any license other than those under subject inventions should be provided for specifically. The proposed language could be construed to require a Contractor to obtain, if possible, licenses under dominating patents to which Contractor has no rights.		it is not the intent of this clause to require the contractor to obtain, if possible, licenses under dominating patents to which the contractor has no rights.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(e) Right to sublicense foreign governments.

(1) When the agency head determines at the time of contracting that it would be in the national interest to acquire the right to sublicense any foreign government pursuant to any existing or future treaty or agreement, the following subparagraph shall be included as subparagraph (2) in paragraph (c) in the clause set forth in § 1-9.107-5(a) and the remaining subparagraphs in paragraph (c) shall be renumbered accordingly:

(2) The license specified in (1) shall include the right of the Government to sublicense any foreign government pursuant to any existing or future treaty or agreement.

(2) When the agency head wishes to reserve the right to make the determination to sublicense foreign governments pursuant to any existing or future treaty or agreement until after the invention has been identified, the following subparagraph shall be included as subparagraph (2) in paragraph (c) in the clause set forth in § 1-9.107-5(a) and the remaining subparagraphs in paragraph (c) shall be renumbered accordingly:

(2) The license specified in (1) shall include the right of the Government to sublicense any foreign government pursuant to any existing or future treaty or agreement if the agency head determines after the invention has been identified that it would be in the national interest to acquire this right.

SUBMITTED BY COMMENT

DISPOSITION RATIONALE

NONE

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(f) Irrevocable license to contractor. When the agency decides to grant the contractor an irrevocable, non-exclusive, royalty-free license on a subject invention, paragraph (c) in the clause set forth in § 1-9.107-5(a) shall be replaced with the following paragraph (d):

(d) The Government hereby grants to the Contractor an irrevocable, nonexclusive, royalty-free, license on each subject invention for the practice of the invention throughout the United States, its territories and possessions, Puerto Rico, and the District of Columbia. The license shall extend to the Contractor's existing and future associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part and shall be nonassignable without approval by the agency, except to the successor of that part of the Contractor's business to which the invention pertains.

SUBMITTED BY	COMMENT	DISPOSTION	RATIONALE
USDA	§ 1-9.107-5(f) sets forth a clause to be included when the contractor is granted an irrevocable, nonexclusive, royalty-free license. It is not the policy of the Department to grant irrevocable licenses.	Substantially adopted	(See § 1-9.107-5(g) of revised regulations) Revised language provides that agencies have the option of granting revocable, nonexclusive licenses upon request. Also see added § 1-9.107-5(f).
COMMERCE	§ 1-9.107-5(f) delete paragraph (c) in the clause set forth in § 1-9.107-5(a) shall be replaced with the following paragraph (d). ⁷ and insert -- <u>subparagraphs (3) and (4) in paragraph (d) of the clause set forth in 1-9.107-5(a) shall be cancelled and subparagraph (1) shall be replaced with the following subparagraph:</u>	Substantially adopted	Revised language obviates this comment.
	§ 1-9.107-5(f)(d), delete (d) and insert -- <u>(1) --.</u>	Substantially adopted	Revised language obviates this comment.
INTERIOR	§ 1-9.107-5(f), correct spelling of "license".	Adopted	Editorial
DOT	§ 1-9.107-5(f), correct spelling of "license".	Adopted	Editorial

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(f) Irrevocable license to contractor. (con'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA	<p>The provisions of § 1-9.107-5(a)(d)(1) indicate that the Government grants the contractor a revocable, royalty-free license in subject inventions even though the contractor has not requested such rights. Section 1-9.107-5(f) contains alternative provisions wherein the contractor is granted an irrevocable license in subject inventions. If alternative paragraph (f) is used, the effect would be to remove all utilization reporting requirements from the patent rights clause, even if the contractor was granted principal or exclusive rights. Therefore, substitution should be between § 1-9.107-5(f) and subparagraph (d)(1) of the patent rights clause.</p>	Adopted	Revised language accommodates the comment.
	<p>Further, the only choice presented by the FPR, with regard to licenses granted to contractors on subject inventions, is that the license be granted or revoked as a part of the patent rights clause. The present practice of many Government agencies is to grant contractors licenses in subject inventions only after specific request is made therefor or, in the case of NASA, to grant such licenses under its licensing program. When these licenses are granted under the NASA licensing program, revocation of the license granted to the contractor</p>	Adopted	Revised language of § 1-9.107-5(g) permits agencies to grant revocable licenses upon request.

§ 1-9.107-5 Clauses for domestic contracts. (cont'd.)

(f) Irrevocable license to contractor. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NASA (cont'd.)	is pursuant to our licensing regulations rather than our contract clause. We would recommend that agencies be permitted to omit the license granted to contractors from the patent clause and that the license and revocation provisions for licenses in these situations be made a discretionary part of the GSA licensing regulations.		
CODSIA	§ 1-9.107-5(f), line 2, delete [(a)] and insert -- (d) --. (Correction.)	Adopted	Revised language accommodates the comment.
	§ 1-9.107-5(f)(d), after the words "throughout the" insert -- <u>world including the</u> --. (To conform with Statement.)	Substantially adopted	Revised language grants contractors license rights in all countries where the Government has filed patent applications.
	§ 1-9.107-5(f)(d), line 4, after the word "part" insert -- <u>together with the right to grant sub-licenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded</u> --.	Adopted	See rationale to the first CODSIA comment on page 74.
	This will permit the Contractor to comply with a third party agreement entered into independently of, and prior to the time of award of, the Government contract. Furthermore, the revision will accommodate those U. S. organizations which have foreign plants and subsidiaries which should receive the license.		

§ 1-9.107-6 Agencies subject to statutory and treaty requirements.

Agencies subject to specific statutes and to any existing and future treaty or agreement between the United States and any foreign country shall individually modify the Patent Rights clauses in §1-9.107-5(a), (b), and (c) to meet the requirements of such statutes, treaty, or agreement.
(Sec. 205(c), 63 Stat. 390; 40 U.S.C. 486(c))

SUBMITTED BY	COMMENT	RATIONALE	DISPOSITION
USDA	§ 1-9.107-6 would require the Department to modify Commentary the patent clauses in Section 1-9.107-5(a), (b), and only (c) to meet the requirements of our governing statutes.		See § 1-9.107-1(b) as to the effect of statutes on these regulations.

Effective date. This amendment is effective

but may be observed earlier.

Dated:

SUBMITTED BY COMMENT

DISPOSITION RATIONALE

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (RYAN)	<p>Generally speaking, a drawback in the proposed regulation is the breadth of its language in certain areas in place of the specificity and detail which we would expect in a regulation designed to implement, or to enable Government agencies to implement, the President's Statement of Government Patent Policy. For example, the regulation should define "greater rights than a nonexclusive license," explaining the extent of "greater rights" in terms of character and duration and circumstances giving rise to such rights, it should be more explicit regarding criteria for agency determinations in the granting of "greater rights," and it should delineate the decision-making processes more completely. Because of the importance of these matters, the Department presently is studying the subject of "greater rights" in an effort to anticipate any constitutional question which might be raised in connection with such rights and the manner of their allocation.</p>	<p>Adopted in part</p>	<p>New § 1-9.109-6 provides criteria for the granting of greater rights as suggested by the comment. Any additional guidelines on this matter will require independent consideration by the Committee on Government Patent Policy separate from the issuance of this regulation.</p>
(WERTH)	<p>From the standpoint of the Civil Division our concern is that inventions made by contractors in the performance of Government research and development contracts may be used at a later date as a basis for a claim against the Government. This can be avoided if the Government obtains at least a nonexclusive license under inventions made in the course of or under a contract.</p>	<p>Commentary only</p>	<p>This is a matter more pertinent to agency's administration of contract patent clauses rather than the matter of disposition of patent rights under consideration here.</p>

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
JUSTICE (WERTH) (cont'd.)	<p>The problem we have often encountered is that a contractor has difficulty separating research and developmental work performed by him for his commercial purposes from related work performed for the Government. This has led many years after the development took place to conflicts between a Government agency and a contractor as to whether or not the Government is entitled to any rights under an invention. Another source of conflict is the existence of background rights which the contractor fails to make known to the Government. The result is that improvements made in the performance of a Government contract may not be usable by the Government without royalty payments because of the existence of background rights. It is important that the Government have knowledge of such background rights if the background rights relate to one or more objects or purposes of the contract. It is also important that efforts be made to avoid confusing inventions made in the performance of a contract with contractor-sponsored research and development.</p>	}	The matter of background patent rights is under study by the Executive Subcommittee.
VA	<p>We have no objections to the substance of the proposed FPR 1-9. We did find it somewhat difficult to follow, and we hope that the format can be improved to make it more easily read.</p>	Commentary only	

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NSF	<p>While we have some detailed comments, we would like to point out our general philosophy that the Foundation makes grants for research which are in no sense procurement nor are they covered by the Federal Procurement Regulations. Rather, these grants provide support for research meeting specified criteria. The essence of the grant form is its simplicity in the absence of burdensome controls and requirements imposed on the grantee. Therefore, we urge that this regulation exclude grants entirely and that only procurement by contract be included.</p>	Adopted	Revised § 1-9.100 makes this subject of the FPR optional for grants.
	<p>The existing Foundation practice is to normally employ a deferred determination patent rights clause. We believe that this technique adequately protects the interests of the Government.</p>	Commentary only	This practice is inconsistent with the Presidential Statement which provides for the allocation of patent rights at the time of contracting in most situations.
	<p>Nowhere in the draft regulation do we find any discussion of the policy or the rights which accrue to either the Government or the contractor insofar as blocking and fencing of patents. Historically, major patents have not been useful for extended periods unless significant follow-on patents in the same field are developed.</p>	Commentary only	The matter of background patent rights is under study by the Executive Subcommittee.
	<p>In conclusion, we would recommend a careful review and rewrite of the entire proposed regulation with a view toward simplifying it and minimizing the cross referencing. While it is possible to understand the implications of these draft regulations, in a detailed, overall reading, the thrust</p>	Adopted in part	The regulations have been simplified concerning nonprofit organizations.

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NSF (cont'd.)	still appears to be an overprotective attitude on the part of the Government which does not provide encouragement to public officials to carry out the letter, as well as the spirit, of the Presidential Directive. If this regulation were couched in terms which appeared more positive and consistent with the introduction, rather than in a burdensome overcautious manner, earlier realization of the use of patentable ideas for the general welfare may be possible.		
VA Prosthetic & Sensory Aids	There are a few minor typographical errors. Underscoring of key words or a tabulation of alternatives might simplify comparison of the various options. Presumably there will be wide publicity in the technical press when this amendment is introduced, so that research contractors will be aware of the purpose and the options.	Substantially adopted	Revised regulations provides underscoring and tabulation.
	In the specific field of prosthetics, and probably in many other areas of biomedical engineering, patents alone are relatively minor in accelerating or deterring the availability of improvements. A systematic transition procedure, coordination of research and operational aspects, and systematic prosthetics education have been far more effective in bringing research results in prosthetics into widespread clinical use to benefit not only disabled veterans but all disabled.	Commentary only	

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOD	<p>We have reviewed these proposed regulations and find that they follow a pattern similar overall to the proposed ASPR implementation. However, our experience indicated a need for certain specific provisions in the ASPR which are not contained in the FPR and which may not be needed in implementation of the FPR by other Government agencies.</p> <p>With respect to the Policy section of FPR 1-9.107-3, we note that it is taken almost verbatim from the President's policy statement, as is the corresponding ASPR section which includes some additional paragraphs omitted in the FPR. The Procedures section of FPR 1-9.107-4 is quite broad and leaves much room for further implementation by the Departments and agencies. We have found that considerable implementation is necessary in this area of the ASPR to suit the needs of DOD, and expect that most agencies will further implement the FPR.</p> <p>The format of the clauses in the proposed FPR 1-9.107-5 differs from the proposed ASPR in providing a clause with substituted "Disposition of Rights" paragraphs to accommodate what we call the "Title," "License," and "Deferred" situations. A "Basic Clause" with three supplemental clauses to achieve the same purpose is presently proposed for ASPR. Our review of the proposed FPR 1-9.107-5 reveals that there are many areas that are similar or identical to clauses proposed for ASPR. The inclosed comments are presented for consideration for possible inclusion in the FPR.</p>	Commentary only	Each agency is expected to promulgate implementing regulations to this subpart.

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOD (cont'd.)	<p>The proposed ASPR revision is not yet final and it is expected that there may be some changes to incorporate or follow some of the FPR coverage. Any differences will be minor compared with the degree of uniformity that can be achieved, and we feel that the objective of avoiding disparity between patent rights clauses of the different Government agencies can be substantially attained.</p>		
NACUBO	<p>We have long advocated the enlargement and extension of the FPR to serve as a more comprehensive guide to the civil agencies and to make their procedures more consistent. Such guidance is especially needed by the newer agencies that have emerged as a result of recent legislative and executive action.</p> <p>The subject of patents has, however, recently been reviewed in considerable depth by both legislative and executive sources. The Commission on Government Procurement has recently completed an exhaustive study, and its final report to the Congress is due within a few short months. In addition, several years of effort have been devoted to the subject of patents in colleges and universities by the Ad Hoc Subcommittee on University Patent Policy of the Federal Council for Science and Technology. We are informed that the final report of this group is expected to appear shortly.</p>	Adopted in part	The regulations have been simplified concerning nonprofit organizations.

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
NACUBO (cont'd.)	<p>The benefit of these reports will enable the FPR to assume a much more positive leadership stance. The great variety of different intentions on the part of the several agencies makes the use of uniform language not only difficult but comparatively ineffective. The forthcoming reports should enable a quality of consistency that will provide ample compensation for the short delay required.</p> <p>It is therefore strongly recommended that FPR coverage of the patent rights be deferred until these reports are available.</p>	<p>Commentary only</p>	
DOT	<p>The Department of Transportation generally favors the substance of the proposed new FPR Part 1-9 covering the disposition of patent rights under Government research and development contracts. Comments and recommendations have been furnished in regard to specific provisions which could be clarified, reconsidered or supplemented. The following represents additional suggestions for changes to the regulations:</p>	<p>Rejected</p>	<p>See rationale to DOD comment on page 143.</p>
	<p>1. Consider use of "Preaward Patent Rights Documentation Checklist" comparable to the one used by DOT or DD Form 1564.</p>		

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOT (cont'd.)	2. Consider development of a new form comparable to DD Form 882, "Report of Inventions and Sub-contractors (Pursuant to 'Patent Rights' Contract Clause)". The DD Form cannot be used with the proposed FPR revisions without modification. Contractors are using DD Form 882 on non-DOD contracts and problems are resulting from the fact that the form is not designed for universal use.	Adopted in part	The invention identification disclosures and reports section of the Patent Rights clause specifies that each agency may issue a form for the submission of reports.
	3. Add additional guidelines or checkpoints to consider when selecting patent clauses for incorporation into contracts.	Not adopted	Agencies which consider additional guidelines necessary should include the same in implementing regulations.
	4. Consider rearranging the proposed revision into the following paragraphs:	Rejected	Adoption of the comment would require the drafting of regulations beyond the present work scope of the Implementation Subcommittee
	1-9.100		
	Scope		
	1-9.100-1		
	Introduction		
	1-9.100-2		
	Patent Rights-Option in the Government		
	1-9.100-3		
	Patent Rights-Option in the Contractor		
	1-9.100-4		
	Patent Rights-Deferred Determination		
	1-9.100-5		
	License for State and Municipal Governments		
	1-9.100-6		
	Right to Sublicense Foreign Governments		
	1-9.100-7		
	License to Contractor		
	1-9.100-8		
	Background Patents (See DOTPR 12-9.6105-1)		
	1-9.100-9		
	Authorization and Consent (See DOTPR 12-9.6106)		
	1-9.100-10		
	Indemnification (See DOTPR 12-9.6107)		

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
DOT (cont'd.)	1-9.100-11	Agencies Subject to Treaty Requirements	
	1-9.100-12	Record of Decisions	
	1-9.100-13	Proposal Evaluation	
	1-9.100-14	Licensing and Sublicensing Provisions	
	5. Recommend expansion of the proposed revision to include clauses on background rights, authorization and consent and indemnification similar to Sections 12-9.6105-12-9.6108 of the Department of Transportation's Procurement Regulation.	Rejected	Background patent rights under study by the Executive Subcommittee. Draft of Authorization and Consent and Indemnification clauses are not within the present work scope of the Implementation Subcommittee.
	See DOT Preaward Patent Rights Documentation Checklist, (Attachment I at end of COMMENTS)		

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
HEW	<p>It is HEW's understanding that the proposed FPR clauses are a response to complaints of inconsistent practices for disposition of invention rights existing in the departments and agencies of the Executive. HEW has long advocated uniform principles of disposition of inventions arising from Government R&D contracts. However, it is HEW's opinion, the proposed contract clauses do not accomplish that undertaking, since there has been no change in the guidelines for use of the clauses. It has been the experience of the Department that after some initial argument as to whether title to inventions generated in performance of a DHEW contract should reside in the contractor or in the Department, there has been little, if any, controversy over the language to implement the agreed-upon disposition. Absent such controversy, HEW sees little justification for substituting the FPR clauses for the DHEW clauses now in use, especially in light of the need to re-educate contractors to new language.</p>	<p>Commentary only</p>	<p>41 CFR 1-1.004 makes the FPR's applicable to all agencies, except DOD, to the extent specified in the Federal Property and Administrative Services Act.</p>
	<p>In addition to duplicating what is already accomplished by existing HEW clauses, the FPR clauses carry with them other penalty and surveillance provisions which are considered to be inimical to the character of</p>	<p>Adopted</p>	<p>Short Form Patent Rights clauses for use with nonprofit organizations omit penalty and surveillance provisions.</p>

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
HEW (cont'd.)	university and nonprofit organization contractors. If there is to be found any value whatever in the use of the uniform clause language proposed, it is considered to be outweighed by the need to utilize such penalty and surveillance clauses, since they are believed to be unnecessary under the circumstances under which HEW operates.		
	More serious than any of what is noted above is the fact that the proposed clauses are to apply to this Department's grant program. At this time, HEW utilizes separate policies, procedures, and clauses for the disposition of inventions evolving from grant research. No provision has been made in the proposed clauses for HEW's grant patent policy. It is also understood that the clauses do not reflect the findings of the Ad Hoc Subcommittee on University Patent Policy of the FCST.	Adopted	See rationale to the NSF comment on page 141.
	Further, it appears that the proposed clauses were drafted for those agencies that administer large numbers of R&D contracts, have multiple echelons of review and dispersal of staff, and, accordingly, have a lesser degree of proximity to the contractors with whom they deal. Under such a set of circumstances, the type of detail covered in the proposed clauses may be desirable and even necessary. But for those agencies having a single central patent staff, administering a relatively small number of contracts, and thus	Commentary only	The Patent Rights clauses have been drafted to specify the rights and obligations of the parties.

COMMENTS WITHOUT REFERENCE TO SPECIFIC SECTIONS OF PROPOSED REGULATIONS. (cont'd.)

SUBMITTED BY	COMMENT	DISPOSITION	RATIONALE
--------------	---------	-------------	-----------

HEW (cont'd.)	potentially in closer contact with its contractors, the proposed clauses will act to preclude sensitive judgments on individual fact situations.		
------------------	--	--	--

DEPARTMENT OF TRANSPORTATION
PREAWARD PATENT RIGHTS DOCUMENTATION CHECKLIST
(COMPARABLE TO DD FORM 1564)

The Preaward Patent Rights Documentation Checklist set forth below shall be used in determining the appropriate Patent Rights clause to be incorporated in a request for proposals in procurements involving experimental, developmental, or research work. The Checklist shall be made a part of the contract file.

CHECKLIST

Procurement Identification:.....
Purpose of Proposed Procurement:.....

1. Is a principal purpose of the proposed contract, either by itself or as one of a series of directly related contracts, to create, develop or improve an end item intended for use in the civilian economy?¹ (See DOTPR 12-9.6102(a)(1).) Yes _____ No _____

If "Yes", identify the end item and briefly describe its intended use in the civilian economy.

2. Is a principal purpose of the proposed contract, either by itself, or as one of a series of directly related contracts to create, develop or improve an end item which will be required for use by the general public by a Government regulation? Yes _____ No _____

If "Yes", identify the end item and cite applicable regulation. (See DOTPR 12-9.6102(a)(1).

3. Is a principal purpose of the contract exploration into a field directly concerned with public health, public safety, or public welfare (as distinguished from items predominantly of military concern)?² (see DOTPR 12-9.6102(a)(2).) Yes _____ No _____

If "Yes", identify such principal purpose of the contract and briefly describe its relationship to the public health, or public safety, or public welfare.

¹ The contract or series of contracts need not necessarily require delivery of the end item. The end item may be a product, a process or data.

² Examples in the public welfare category would include weather modification or control.

CHECKLIST (cont'd.)

4. Is the contract for procurement in a field of science or technology in which there has been little significant experience outside of work funded by the Government? (See DOTPR 12-9.6102(a)(3).) Yes _____ No _____

If "Yes", briefly describe such field.

5. Is the contract for procurement in a field of science or technology in which the Government has been the principal developer of the field?³ (See DOTPR 12-9.6102(a)(3).) Yes _____ No _____

If "Yes", briefly describe such field.

6. If the answer to either 4 or 5 is "Yes", would the contractor be likely to get a preferred or dominant commercial position in that field if he were permitted to acquire title to inventions made under the contract? (See DOTPR 12-9.6102(a)(3).) Yes _____ No _____

Explain the answer.

7. Does the contract require that the contractor both (i) provide services for operation of a Government-owned research or production facility and (ii) perform experimental, developmental or research work at that facility? (See DOTPR 12-9.6102(a)(4)(A).) Yes _____ No _____

8. Does the contract require the contractor to coordinate and direct the work of others (as distinguished from the normal contractor-subcontractor relationship) which might result in a potential organizational conflict of interest? (See DOTPR 12-9.6102(a)(4)(B).) Yes _____ No _____

If "Yes", explain briefly why such a potential conflict of interest is considered to exist.

(Typed Name, Office and Signature of Person
Completing this Form)

³ The mere fact that the Government has been or is the principal funder or developer of a specific piece of hardware does not necessarily make the Government the principal funder or developer in a field of science or technology which encompasses the piece of hardware.

CHECKLIST (cont'd.)

The Patent Rights (Title) Clause, DOTPR 12-9.6102(c), will _____ will not _____ be used in the solicitation.
(Give reasons for determination.)

(Typed Name and Signature of Contracting Officer
or Representative)

DEPARTMENT OF TRANSPORTATION

CLAUSES FROM DOTPR REFERRED TO IN DOT COMMENTS

§ 12-9.6105-1 Contract clause.

BACKGROUND PATENTS (LICENSE)

(a) "Product" as used herein means a process, machine, article of manufacture, or composition of matter the same as, or substantially the same as, that worked on under the contract.

(b) "Background patent" as used herein means any U.S. patent, under which the Contractor has the right to license others, and which covers the manufacture, use or sale of any product.

(c) When the Secretary determines:

(1) That a product is required by members of the public in the interest of the public health, safety, or welfare; and

(2) That neither the Contractor, nor any other person deriving rights from his patents, has produced the product at a reasonable price, in sufficient quantity, and at a level of quality to meet public needs;

the Contractor shall, on written application, issue appropriate licenses to others under any Background Patent on reasonable terms, such licenses to be restricted to the production, sale, and use of the product.

(d) When the Secretary has made the determination set forth in (c) above, the Contractor (or those deriving rights from the Contractor) shall not seek injunctive relief to enforce a Background Patent without:

(1) Previously advising the General Counsel, Office of the Secretary, Department of Transportation;

(2) Granting the Government the right to intervene in the injunction proceeding; and

(3) Disclosing the commitment set out in this clause to the court from which the injunction is sought.

§ 12-9.6106 Authorization and consent.

(a) Under 28 U.S.C. 1498, any suit for infringement of a U.S. patent based on the manufacture or use by or for the United States of an invention described in and covered by a patent of the United States by a contractor or by a subcontractor (including lower-tier subcontractors) can be maintained only against the Government in the Court of Claims and not against the contractor or subcontractor, in those cases where the Government has authorized or

DOTPR CLAUSES (cont'd.)

consented to the manufacture or use of the patented invention. Accordingly, to insure that work by a contractor or subcontractor under a Government contract may not be enjoined by reason of patent infringement, authorization and consent shall be given as herein provided. The liability of the Government for damages in any such suit against it may, however, ultimately be borne by the contractor or subcontractor in accordance with the terms of any patent indemnity clause also included in the contract, and an authorization and consent clause does not detract from any patent indemnification commitment by the contractor or subcontractor. Therefore, both a patent indemnity clause and an authorization and consent clause may be included in the same contract.

(b) Contracts shall not include any provision whereby the Government expressly agrees to indemnify the contractor against liability for patent infringement.

(c) An authorization and consent clause shall not be used in contracts where both complete performance and delivery are to be used outside the United States, its possessions, or Puerto Rico.

§ 12-9.6106-1 Authorization and consent in contracts for supplies or services.

The contract clause set forth below may be included in all contracts for supplies or services (including construction or architect engineering work; except:

(a) When prohibited by § 12-9.6106(c); or

(b) In contracts for experimental, developmental, or research work in which the clause of § 12-9.6106-(2) is required.

AUTHORIZATION AND CONSENT

The Government hereby gives its authorization and consent (without prejudice to any rights of indemnification) for all use and manufacture, in the performance of this contract or any part hereof or any amendment hereto or any subcontract hereunder (including any lower-tier subcontract), of any invention described in and covered by a patent of the United States (i) embodied in the structure or composition of any article the delivery of which is accepted by the Government under this contract, or (ii) utilized in the machinery, tools, or methods the use of which necessarily results from compliance by the Contractor or the using subcontractor with (a) specifications or written provisions now or hereafter forming a part of this contract, or (b) specific written instructions given by the Contracting Officer directing the manner of performance. The entire liability to the Government for infringement of a patent of the United States shall be determined solely by the provisions of the indemnity clauses, if any, included in this contract or any subcontract hereunder (including any lower-tier subcontract), and the Government assumes liability for all other infringement to the extent of the authorization and consent hereinabove granted.

DOTPR CLAUSES (cont'd.)

§ 12-9.6106-2 Authorization and consent in contracts for research and development.

Greater latitude in the use of patented inventions may be necessary in a contract for experimental, developmental, or research work than in a contract for supplies. Unless prohibited by § 12-9.6106(c), the clause set forth below shall be included in all contracts calling exclusively for experimental, developmental, or research work, and may be included in contracts calling for both supplies and experimental, developmental, or research work where the latter work is a primary purpose of the contract. In all other contracts for both supplies and experimental, developmental, or research work, the Authorization and Consent clause of § 12-9.6106 1 shall be used. If the clause set forth below is included in a contract, the clause in § 12-9.6106-1 shall not be included.

AUTHORIZATION AND CONSENT

The Government hereby gives its authorization and consent for all use and manufacture of any invention described in and covered by a patent of the United States in the performance of this contract or any part hereof or any amendment hereto or any subcontract hereunder (including any lower-tier subcontract).

§ 12-9.6107 Patent indemnification of Government by contractor.

In order that the Government may be reimbursed for liability for patent infringement arising out of or resulting from the performance of construction contracts or contracts for supplies which normally are or have been sold or offered for sale to the public in the commercial open market or which are the same as such supplies with a relatively minor modification thereof, a clause providing for indemnification of the Government is to be included in such contracts in accordance with the instructions set forth below. A patent indemnity clause shall not be used in contracts:

(a) Where the Authorization and Consent clause of § 12-9.6106-2 applicable to research and development contracts is authorized, except that in contracts calling also for supplies of the kind described above, a patent indemnity clause may be used with respect to such supplies;

DOTPR CLAUSES (cont'd.)

(b) Where the contract is for supplies which clearly are not or have not been sold or offered for sale to the public in the commercial open market. However, even in the foregoing instance, a patent indemnity clause may be included where (1) in the case of contracts to be awarded by formal advertising it is desired to obtain an indemnity as to specific components or spare parts so sold or offered for sale, in which case the clause shall be modified pursuant to § 12-9.6107-1(b); or (2) in the case of contracts to be awarded either by formal advertising or negotiation, a patent owner contends that the prospective procurement would infringe his patent and the low bidder or offeror is willing to indemnify the Government as to such patent either (i) without increase in price on the basis that the patent is invalid or not infringed, or (ii) for other good reasons;

(c) Where both performance and delivery are to be outside the United States, its possession, or Puerto Rico, unless the contract indicates that the supplies are ultimately to be shipped into the United States, its possessions, or Puerto Rico, in which case the instructions of § 12-9.6107-1 or § 12-9.6107-3 are applicable; or

(d) Where the contract is for an amount of \$5,000 or less, except that, as a matter of administrative convenience, the clause need not be deleted where it is a part of a standard form being used for contracts of \$5,000 or less, since it is self-deleting as to such contracts.

§ 12-9.6107-1 Patent indemnification in formally advertised contracts--commercial status predetermined.

(a) Except as prohibited by § 12-9.6107, the clause set forth below is appropriate in formally advertised construction contracts and shall be included in formally advertised contracts for supplies when it has been determined in advance of issuing the invitation for bids that the supplies (or such supplies apart from relatively minor modifications to be made thereto) normally are or have been sold or offered for sale by any supplier to the public in the commercial open market.

PATENT INDEMNITY

If the amount of this contract is in excess of \$5,000, the Contractor shall indemnify the Government and its officers, agents, and employees against liability, including costs, for infringement of any U.S. letters patent (except letters patent issued upon an application which is now or may hereafter be kept secret or otherwise withheld

from issue by order of the Government) arising out of the manufacture or delivery of supplies or out of construction, alteration, modification, or repair of real property (hereinafter referred to as "construction work") under this contract, or out of the use or disposal by or for the account of the Government of such supplies or construction work. The foregoing indemnity shall not apply unless the Contractor shall have been informed as soon as practicable by the Government of the suit or action alleging such infringement, and shall have been given such opportunity as it is afforded by applicable laws, rules, or regulations to participate in the defense thereof; and further, such indemnity shall not apply to: (i) An infringement resulting from compliance with specific written instructions of the Contracting Officer directing a change in the supplies to be delivered or in the materials or equipment to be used, or directing a manner of performance of the contract not normally used by the Contractor; (ii) an infringement resulting from addition to, or change in, such supplies or components furnished or construction work performed which addition or change was made subsequent to delivery or performance by the Contractor; or (iii) a claimed infringement which is settled without the consent of the Contractor, unless required by final decree of a court of competent jurisdiction.

(b) Where a supply contract calls in part for specific components or spare parts which normally are or have been sold or offered for sale by any supplier to the public in the commercial open market, or such items with relatively minor modifications, the Patent Indemnity clause of paragraph (a) of this section shall be modified by adding to the end of the clause either of the following sentences:

The foregoing shall not apply to the following: (Specifically identify the items to be excluded from the Patent Indemnity clause.)

or

The foregoing shall apply only to the following: (Specifically identify the items to which the Patent Indemnity clause applies.)

§ 12-9.6107-2 Patent indemnification in negotiated contracts.

(a) A patent indemnity clause is not required to be included in negotiated contracts, but may be included (1) in negotiated construction contracts, (2) as authorized in § 12-9.6107(b)(2), and (3) in negotiated contracts for supplies where such supplies normally are or have been sold or offered for sale to the public in the commercial open market, or are such supplies with relatively minor modifications made thereto. Ordinarily, the contracting officer, in consultation with the contractor, should be able to determine whether the supplies being purchased normally are on sale or have been sold or offered for sale to the public in the commercial open market.

DOTPR CLAUSES (cont'd.)

(b) Subject to the foregoing and to the prohibitions in § 12-9.6107, the clause set forth in § 12-9.6017-1(a) is approved for use in negotiated contracts for construction work or supplies.

(c) Where a supply contract calls in part for specific components or spare parts which normally are or have been sold or offered for sale to the public in the commercial open market, or such items with relatively minor modifications, the patent indemnity clause of § 12-9.6107-1(a) shall be modified by adding to the end of the clause either of the following sentences:

The foregoing shall not apply to the following: (Specifically identify the items to be excluded from the Patent Indemnity clause.)

or

The foregoing shall apply only to the following: (Specifically identify the items to which the Patent Indemnity clause applies.)

§ 12-9.6107-3 Waiver of indemnity by the Government.

In the event that it is desired to exempt one or more specified U.S. patents from the patent indemnity clause of § 12-9.6107-1, authority shall first be obtained from the head of the agency and the following clause shall be included in the contract, in addition to the patent indemnity clause.

WAIVER OF INDEMNITY

Any provision of this contract to the contrary notwithstanding, the Government hereby authorizes and consents to the use and manufacture, solely in the performance of this contract, of any invention covered by the U.S. patents identified and listed below, and waives indemnification by the Contractor with respect to such patents: (Identify the patents by number or by other means if more appropriate.)

§ 12-9.6108 Notice and assistance.

The Government should be notified by the contractor of all claims of infringement in connection with the performance of a Government contract which come to the contractor's attention. The contractor should also assist the Government, to the extent of evidence and information in the possession of the contractor, in connection with any suit against

DOTPR CLAUSES (cont'd.)

the Government, or any claims against the Government made before suit has been instituted, on account of any alleged patent or copyright infringement arising out of or resulting from the performance of the contract. Accordingly, the clause set forth in FPR 1-7.101-13 shall be included in all contracts in excess of \$10,000 for supplies, construction, or experimental, developmental, or research work: Provided; That the clause shall not be included in contracts:

(a) Where both performance and delivery are to be outside the United States, its possessions, or Puerto Rico, unless the contract indicates that the supplies are ultimately to be shipped into the United States, its possessions, or Puerto Rico; or

(b) Of \$10,000 or less, except that as a matter of administrative convenience, the clause need not be deleted when it is a part of a standard form being used for such contracts, since it is self-deleting.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PROCUREMENT

3-7 - Contract Clauses

Subpart 3-7.52 Patent Rights

§ 3-7.5200 Scope
§ 3-7.5201 Patent Rights

§ 3-7.5200 Scope

This subpart contains a provision which may be added to any research contract as subparagraph (g) of clause 20, Patent Rights, of General Provisions HEW-313, 314, 315, and 316, when requested by a prospective contractor.

§ 3-7.5201 Patent Rights

The Government shall grant the Contractor a nonexclusive and royalty-free license to practice throughout the world any such invention, provided that the Contractor requests such a license in writing not later than one year after termination of this contract. Such license shall extend to the Contractor and its existing and future associated companies, if any, within the corporate structure of which the Contractor is a part and shall be assignable to the successor of that part of the Contractor's business to which such invention pertains. Such license may be revoked at any time after three years from the date of the U.S. Patent issued on the invention upon a finding by the Assistant Secretary (Health and Scientific Affairs) that the licensee has not taken effective steps to bring the invention to the point of practical application, and further, that such revocation is necessary to more effectively serve the public interest and is otherwise reasonable under the circumstances.

1111

UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION

Federal Supply Service
Washington, DC 20406



May 9, 1972

Dear Sir:

Enclosed for your review and comment is a proposed amendment of the Federal Procurement Regulations (FPR) regarding the disposition of patent rights under Government research and development contracts.

At our request, the proposal was developed by the Implementation Subcommittee of the FCST Committee on Government Patent Policy and was forwarded to us for coordination with Government agencies and industry by the Executive Subcommittee of the Committee.

Comments received will be reviewed by the Implementation Subcommittee which will recommend revisions of the proposal that it considers desirable and appropriate. Subsequently, a revised proposal will be reviewed by the Executive Subcommittee and the full Committee prior to issuance in the FPR.

Your views on this proposal, in duplicate, by July 7, 1972, will be appreciated. Questions should be directed to Mr. O. A. Neumann, Executive Secretary, FCST, Committee on Government Patent Policy (Telephone: 557-2190).

Sincerely,

A handwritten signature in cursive script, appearing to read "Philip G. Read".

PHILIP G. READ
Director, Federal Procurement
Regulations Division

Enclosure

TITLE 41 - PUBLIC CONTRACTS AND PROPERTY MANAGEMENT

CHAPTER 1 - FEDERAL PROCUREMENT REGULATIONS

DISPOSITION OF PATENT RIGHTS

This amendment of the Federal Procurement Regulations prescribes policies, procedures, and appropriate contract clauses concerning the disposition of rights in inventions, which enable the Government agencies to implement the President's Statement of Government Patent Policy (36 F.R. 16887, August 26, 1971).

The table of parts is revised to add the following entry:

1-9 Patents, Data, and Copyrights.

Part 1-9 is added which reads as follows:

PART 1-9 - PATENTS, DATA, AND COPYRIGHTS

§ 1-9.000 Scope of part.

SUBPART 1-9.1 - PATENTS

Sec.

1-9.100	Scope of subpart.
1-9.101	[Reserved]
1-9.102	[Reserved]
1-9.103	[Reserved]
1-9.104	[Reserved]
1-9.105	[Reserved]
1-9.106	[Reserved]
1-9.107	Patent rights under contracts for research and development.
1-9.107-1	Introduction.
1-9.107-2	[Reserved]
1-9.107-3	Policy.
1-9.107-4	Procedures.
1-9.107-5	Clauses for domestic contracts.
1-9.107-6	Agencies subject to statutory and treaty requirements.

PART 1-9 - PATENTS, DATA, AND COPYRIGHTS

SUBPART 1-9.1 - PATENTS

§ 1-9.100 Scope of subpart.

This subpart sets forth policies, procedures, and contract clauses with respect to inventions made in the course of or under a contract, agreement, grant, or other arrangement or subcontract entered into with or for the benefit of the Government where a purpose is the conduct of experimental, developmental, or research work.

§ 1-9.101 [Reserved]

§ 1-9.102 [Reserved]

§ 1-9.103 [Reserved]

§ 1-9.104 [Reserved]

§ 1-9.105 [Reserved]

§ 1-9.106 [Reserved]

§ 1-9.107 Patent rights under contracts for research and development.

§ 1-9.107-1 Introduction.

On August 23, 1971, the President promulgated a Statement of Government Patent Policy (36 F.R. 16887, August 26, 1971) applicable, subject to statutory requirements, to all executive departments and agencies which comprises a revision of a prior Statement of Policy (28 F.R. 10943, October 12, 1963). Essentially, the goals of this Statement of Government Patent Policy are to provide criteria for determining the disposition of rights in inventions resulting from federally sponsored research and to promote the expeditious development of such inventions to the point of practical application

TITLE 41 - PUBLIC CONTRACTS AND PROPERTY MANAGEMENT

CHAPTER 1 - FEDERAL PROCUREMENT REGULATIONS

DISPOSITION OF PATENT RIGHTS

This amendment of the Federal Procurement Regulations prescribes policies, procedures, and appropriate contract clauses concerning the disposition of rights in inventions, which enable the Government agencies to implement the President's Statement of Government Patent Policy (36 F.R. 16887, August 26, 1971).

The table of parts is revised to add the following entry:

1-9 Patents, Data, and Copyrights.

Part 1-9 is added which reads as follows:

PART 1-9 - PATENTS, DATA, AND COPYRIGHTS

§ 1-9.000 Scope of part.

SUBPART 1-9.1 - PATENTS

Sec.

1-9.100	Scope of subpart.
1-9.101	[Reserved]
1-9.102	[Reserved]
1-9.103	[Reserved]
1-9.104	[Reserved]
1-9.105	[Reserved]
1-9.106	[Reserved]
1-9.107	Patent rights under contracts for research and development.
1-9.107-1	Introduction.
1-9.107-2	[Reserved]
1-9.107-3	Policy.
1-9.107-4	Procedures.
1-9.107-5	Clauses for domestic contracts.
1-9.107-6	Agencies subject to statutory and treaty requirements.

PART 1-9 - PATENTS, DATA, AND COPYRIGHTS

SUBPART 1-9.1 - PATENTS

§ 1-9.100 Scope of subpart.

This subpart sets forth policies, procedures, and contract clauses with respect to inventions made in the course of or under a contract, agreement, grant, or other arrangement or subcontract entered into with or for the benefit of the Government where a purpose is the conduct of experimental, developmental, or research work.

§ 1-9.101 [Reserved]

§ 1-9.102 [Reserved]

§ 1-9.103 [Reserved]

§ 1-9.104 [Reserved]

§ 1-9.105 [Reserved]

§ 1-9.106 [Reserved]

§ 1-9.107 Patent rights under contracts for research and development.

§ 1-9.107-1 Introduction.

On August 23, 1971, the President promulgated a Statement of Government Patent Policy (36 F.R. 16887, August 26, 1971) applicable, subject to statutory requirements, to all executive departments and agencies which comprises a revision of a prior Statement of Policy (28 F.R. 10943, October 12, 1963). Essentially, the goals of this Statement of Government Patent Policy are to provide criteria for determining the disposition of rights in inventions resulting from federally sponsored research and to promote the expeditious development of such inventions to the point of practical application

so that the public can benefit from early civilian use of the inventions.

Within prescribed limits, the policy now gives agency heads greater latitude to grant such additional rights to Government-sponsored inventions, as are deemed necessary to encourage commercial use of the inventions.

§ 1-9.107-2 [Reserved]

§ 1-9.107-3 Policy.

(a) The Government shall normally acquire or reserve the right to acquire the principal or exclusive rights throughout the world in and to any inventions made in the course of or under a contract where:

(1) A principal purpose of the contract is to create, develop, or improve products, processes, or methods which are intended for commercial use (or which are otherwise intended to be made available for use) by the general public at home or abroad, or which will be required for such use by governmental regulations; or

(2) A principal purpose of the contract is for exploration into fields which directly concern the public health, safety, or public welfare; or

(3) The contract is in a field of science or technology in which there has been little significant experience outside of work funded by the Government, or where the Government has been the principal developer of the field, and the acquisition of exclusive rights at the time of contracting might confer on the contractor a preferred or dominant position; or

(4) The services of the contractor are:

(i) For the operation of a Government-owned research or production facility; or

(ii) For coordinating and directing the work of others.

In exceptional circumstances the contractor may acquire greater rights than a nonexclusive license at the time of contracting where the head of the department or agency certifies that such action will best serve the public interest. Greater rights may also be acquired by the contractor after the invention has been identified where the head of the department or agency determines that the acquisition of such greater rights is consistent with the intent of this paragraph (a) and is either a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application or that the Government's contribution to the invention is small compared to that of the contractor. Where an identified invention made in the course of or under the contract is not a primary object of the contract, greater rights may also be acquired by the contractor under the criteria of (c), below.

(b) In other situations where the purpose of the contract is to build upon existing knowledge or technology to develop information, products, processes, or methods for use by the Government, and the work called for by the contract is in a field of technology in which the contractor has acquired technical competence (demonstrated by factors such as know-how, experience, and patent position) directly related to an area in which the contractor has an established nongovernmental commercial position, the contractor shall normally acquire the principal or exclusive rights throughout the world in and to any resulting inventions.

(c) Where the commercial interests of the contractor are not sufficiently established to be covered by the criteria specified in (b), above, the determination of rights shall be made by the agency after the invention has been identified, in a manner deemed most likely to serve the public interest as expressed in this policy, taking particularly into account the intentions of the contractor to bring the invention to a point of commercial application and the guidelines of (a), above, provided that the agency may prescribe by regulation special situations where the public interest in the availability of the inventions would best be served by permitting the contractor to acquire at the time of contracting greater rights than a nonexclusive license.

(d) In the situations specified in (a) and (b), above, when two or more potential contractors are judged to have presented proposals of equivalent merit, willingness to grant the Government principal or exclusive rights in resulting inventions will be an additional factor in the evaluation of the proposals.

(e) Whenever the principal or exclusive rights in an invention remain in the contractor, the Government shall normally acquire:

(1) At least a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency) and States and domestic municipal governments, unless the agency head determines that it would not be in the public interest to acquire the license for the States and domestic municipal governments; and

(2) The right to sublicense any foreign government pursuant to any existing or future treaty or agreement if the agency head determines it would be in the national interest to acquire this right; and

(3) The principal or exclusive rights to the invention in any country in which the contractor does not elect to secure a patent.

(f) Whenever the principal or exclusive rights in an invention are acquired by the Government, there may be reserved to the contractor a revocable or irrevocable, nonexclusive, royalty-free license for the practice of the invention throughout the world; an agency may reserve the right to revoke such license so that it might grant an exclusive license when it determines that some degree of exclusivity may be necessary to encourage further development and commercialization of the invention. Where the Government has a right to acquire the principal or exclusive rights to an invention and does not elect to secure a patent in a foreign country, the Government may permit the contractor to acquire such rights in any foreign country in which he elects to secure a patent, subject to the Government's rights set forth in (e), above.

§ 1-9.107-4 Procedures.

(a) Selection of patent rights clause.

(1) Whenever a contract has as a purpose the conduct of experimental, developmental, or research work, the agency shall apply the policy in § 1-9.107-3 to the contracting situation and shall include in the contract the patent rights clause in § 1-9.107-5(a), (b), or (c), as appropriate.

(2) The clause in § 1-9.107-5(a) provides the Government with the right to acquire title in and to any invention made in the course of or under the contract, subject to the reservation to the contractor of a nonexclusive, revocable, royalty-free license; however, the agency may permit the contractor to obtain greater rights than a nonexclusive license after an invention has been identified if certain criteria are met. The agency shall include this clause in a contract whenever it determines that the work to be performed under the contract falls within § 1-9.107-3(a). In exceptional circumstances this clause may be modified to provide the contractor with greater rights than a nonexclusive license when the agency head determines that such action will best serve the public interest.

(3) Whenever the agency determines that the work to be performed under the contract comes within § 1-9.107-3(b), it shall include in the contract the clause in § 1-9.107-5(b). This clause provides the contractor with the right to acquire title to any resulting invention and for the Government to acquire a paid-up license and the additional right to grant sublicenses.

(4) The clause in § 1-9.107-5(c) provides that the determination of rights in any invention made in the course of or under the contract shall be made by the agency after the invention has been identified. The agency shall include this clause in the contract whenever it determines that the work to be performed under the contract comes within § 1-9.107-3(c), provided, however, that the agency may prescribe by regulation special situations where the public interest in the availability of inventions resulting from such work

would best be served by permitting the contractor to acquire at the time of contracting greater rights than a nonexclusive license.

(b) Record of decisions. The agency shall record the basis of its decision whenever it determines that a contract falls within § 1-9.107-3(a), (b), or (c). The agency shall also record the basis of its decision when it determines that exceptional circumstances are present in a contracting situation or that the contractor shall acquire greater rights than a nonexclusive license pursuant to § 1-9.107-3(a) or (c).

(c) License for States and municipal governments. Subparagraph (c)(1) in the clause set forth in § 1-9.107-5(a) provides that the Government shall acquire a paid-up license for States and domestic municipal governments for any invention made in the course of or under the contract. However, the agency head may determine at the time of contracting that it would not be in the public interest to acquire the license, or he may reserve the right to make such determination after the invention has been identified. When the agency head makes or reserves the right to make this determination, subparagraph (c)(1) shall be replaced with the appropriate subparagraph in § 1-9.107-5(d).

(d) Right to sublicense foreign governments. Paragraph (c) of the clause set forth in § 1-9.107-5(a) does not provide the Government with the right to grant a sublicense for any invention, made in the course of or under the contract, to any foreign government pursuant to any existing or future treaty or agreement. The agency head may determine at the time of contracting that it would be in the national interest for the Government to acquire such right,

or he may reserve the right to make such determination after the invention has been identified. When the agency head makes or reserves the right to make this determination, the appropriate subparagraph in § 1-9.107-5(e) shall be included as part of paragraph (c) in the clause set forth in § 1-9.107-5(a).

(e) License to contractor. In paragraph (d) in the clause set forth in § 1-9.107-5(a), the contractor is granted a revocable, nonexclusive, royalty-free license on each invention, made in the course of or under the contract, for practice of the invention in this country. The agency may, however, grant the contractor an irrevocable, nonexclusive, royalty-free domestic license. When the agency decides to grant such license, paragraph (d) of § 1-9.107-5(a) shall be replaced with paragraph (d) of § 1-9.107-5(f).

§ 1-9.107-5 Clauses for domestic contracts.

(a) Patent Rights clause - Option in the Government. This clause shall be included in all contracts that fall within § 1-9.107-4(a)(2).

PATENT RIGHTS - OPTION IN THE GOVERNMENT

(a) Definitions.

(1) "Subject invention," means any invention or discovery conceived or first actually reduced to practice in the course of or under this contract, and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the Patent Laws of the United States of America or any foreign country.

(2) "Contract," means any contract, agreement, grant, or other arrangement, or subcontract entered into with or for the benefit of the Government where a purpose of the contract is the conduct of experimental, developmental, or research work.

(3) "Made," when used in relation to any invention or discovery, means the conception or first actual reduction to practice of such invention in the course of or under the contract.

(4) "States," means the States of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, and the Trust Territory of the Pacific Islands.

(5) "Government agency," includes an executive department, independent commission, board, office, agency, administration, authority, Government corporation, or other Government establishment of the executive branch of the Government of the United States of America.

(6) "To the point of practical application," means to manufacture in the case of a composition or product, to practice in the case of a process, or to operate in the case of a machine and under such conditions as to establish that the invention is being worked and that its benefits are reasonably accessible to the public.

(b) Disposition of rights.

(1) Assignment to the Government. The Contractor agrees to grant to the Government the entire right, title, and interest throughout the world in and to each subject invention of the Contractor, except as provided in (b)(2), (b)(3), and (f), below.

(2) Request for greater rights.

(i) The Contractor may request greater rights in a subject invention than the license specified in (d), below, and the right to file a United States patent application. The request shall be submitted in writing at the time of first disclosure of the invention pursuant to (e), below, or not later than 3 months thereafter or such longer period as may be authorized by the Contracting Officer for good cause shown in writing.

(ii) If the invention is a primary object of this contract or if the invention is not a primary object but falls within the criteria of 41 CFR 1-9.107-3(a), the request in (i), above, shall set forth information and facts tending to show that:

(A) The acquisition of such greater rights is a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application; or

(B) The Government's contribution to the invention was small compared to that of the Contractor.

(iii) If the invention is not a primary object of this contract and does not fall within the criteria of 41 CFR 1-9.107-3(a), the request in (i), above, shall contain a statement of the Contractor's intention and plan to bring the invention to the point of practical application. The Contractor shall establish, upon request, the likelihood that the invention will be more expeditiously developed to the point of practical application under his plan than by Government licensing or dedication to the public.

(3) Foreign rights. If the Government determines not to file a patent application on a subject invention of the Contractor in any particular foreign country, the agency may authorize the Contractor to file a patent application on such invention in such foreign country and to acquire the entire right, title, and interest therein, subject to the license to the Government specified in (c), below.

(c) Minimum rights granted to the Government.

(1) The Contractor agrees to and does hereby grant to the Government a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency) and States and domestic municipal governments.

(2) With respect to each subject invention to which the Contractor has principal or exclusive rights, the Contractor further agrees to grant, upon request of the Government, an exclusive or nonexclusive license on terms that are reasonable under the circumstances to responsible applicants.

(i) Unless the Contractor, his licensee, or his assignee demonstrates to the Government, at its request, that effective steps have been taken within 3 years after a patent issues on such invention to bring the invention to the point of practical application or that the invention has been made available for licensing royalty-free or on terms that are reasonable in the circumstances, or can show cause why the principal or exclusive rights should be retained for a further period of time; or

(ii) To the extent that the invention is required for public use by governmental regulations or as may be necessary to fulfill public health, safety, or welfare needs, or for other public purposes stipulated in the contract.

(d) Minimum rights to the Contractor.

(1) The Government hereby grants to the Contractor a revocable, nonexclusive, royalty-free license on each subject invention for the practice of the invention throughout the United States, its territories and possessions,

Puerto Rico, and the District of Columbia. The license shall extend to the Contractor's existing and future associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part and shall be nonassignable without approval by the agency, except to the successor of that part of the Contractor's business to which the invention pertains.

(2) With respect to each subject invention licensed pursuant to (1), the Contractor shall furnish written reports to the agency, upon request, as to:

(i) The steps taken by the Contractor to bring the invention to the point of practical application; or

(ii) The manner and extent to which he is practicing the invention.

(3) The license may be revoked by the agency if the Contractor:

(i) Defaults in making any report required by (2); or

(ii) Willfully makes a false statement of a material fact or willfully omits a material fact in any report required by (2).

(4) The license may also be revoked by the agency if there is no other nonexclusive license in force and the Contractor:

(i) Fails to bring the invention to the point of practical application within 1 year after the invention has been published by the Government as available for nonexclusive licensing or within 6 months after a patent has been issued on the invention, whichever is earlier, or subject to the approval of the agency, within a longer period; or

(ii) Brings the invention to the point of practical application within the period specified in (i) but fails to continue to practice the invention.

(5) After termination of the period specified in 4(i), the agency may restrict the license granted to the Contractor to the fields of use and the geographic areas in which the Contractor is practicing the invention.

(6) Before revoking or restricting the license pursuant to (3), (4), or (5), the agency shall furnish the Contractor written notice of its intention to restrict or revoke the license and the Contractor shall be allowed 30 days after such notice to furnish the report required by (2) or to show cause why the license should not be restricted or revoked. The decision of the officer authorized to act for the agency in this matter shall be final, provided the Contractor shall have the right to obtain review of the decision by the agency head in accordance with agency procedure.

(e) Invention disclosures and reports. For each subject invention of the Contractor, the Contractor shall furnish the Contracting Officer:

(1) A complete technical disclosure, promptly after conception or first actual reduction to practice, whichever occurs first under the contract (such disclosure shall identify the contract and inventor and be sufficiently complete in technical detail to convey to one skilled in the art to which the invention pertains a clear understanding of the nature, purpose, operation, and to the extent known the physical, chemical, biological, or electrical characteristics of the invention);

(2) Interim reports at least every 12 months from the date of the contract, each report listing all such inventions made under the contract and not listed on a prior interim report, or certifying that there are no reportable inventions; and

(3) A final report, prior to final settlement of this contract, listing all such inventions including all those previously listed in interim reports, or certifying that there were no reportable inventions.

(f) Forfeiture of rights in unreported subject inventions.

(1) The Contractor shall forfeit to the Government all rights in any subject invention which he fails to report to the agency at or prior to the time he (i) files or causes to be filed a United States or foreign application thereon; or (ii) submits the next interim report required by (e)(3), whichever is later, provided that the Contractor shall not forfeit rights in a subject invention if (A) contending that the invention is not a subject invention, he nevertheless reports the invention and all facts pertinent to his contention to the Contracting Officer prior to taking the actions specified in (1) or (2), above; or (B) he establishes that the failure to report was due entirely to causes beyond his fault or negligence.

(2) Pending written assignment of such forfeited subject invention and the patent applications and patents pertaining thereto, the Contractor shall be deemed to hold the invention, and the patent applications and patents pertaining thereto, in trust for the Government. The forfeiture provision under this paragraph shall be in addition to and shall not supersede other rights and remedies which the Government may have with respect to subject inventions.

(g) Examination of records relating to inventions. The Contracting Officer or his authorized representative shall, until the expiration of 3 years after final payment under this contract, have the right to examine any books, records, documents, and other supporting data of the Contractor which the Contracting Officer or his authorized representative shall reasonably deem directly pertinent to the discovery or identification of subject inventions or to compliance by the Contractor with the requirements of this clause.

(h) Right to disclose subject inventions. The Government may duplicate and disclose reports and disclosures of subject inventions required to be furnished by the Contractor or a subcontractor pursuant to this clause.

(i) Filing of domestic patent applications.

(1) With respect to each subject invention on which the Contractor has the right to file a domestic patent application pursuant to paragraph (b), above, the Contractor shall file or cause to be filed such application within 6 months after submission of the disclosure, or such longer period as may be authorized by the Contracting Officer for good cause shown in writing. Further with respect to such inventions, the Contractor shall promptly notify the Contracting Officer of any decision not to file an application. If the Contractor fails to file or cause to be filed an application within the prescribed period, the Contracting Officer may initiate action to protect the Government's interest.

(2) Within 2 months after such filing or within 2 months of the first written disclosure of such invention if a patent application previously has been filed, the Contractor shall deliver to the agency a duly executed license fully confirmatory of all rights to which the Government is entitled under this clause and, upon request, a copy of the application as filed.

(3) The following statement shall be included within the first paragraph of the specification of any patent application filed and any patent issued on a subject invention: "The Government has reserved rights in this invention, which was made in the course of or under Contract No. _____ (or Grant No. _____) awarded by (identify the agency)."

(4) For each subject invention on which a patent application is filed by or on behalf of the Contractor, the Contractor shall provide to the Contracting Officer, within 2 months after a patent issues on the application, the number of the patent. In addition, he shall furnish the agency upon request:

(i) An irrevocable power of attorney to inspect and make copies of each United States patent application filed by or on behalf of the Contractor covering any such invention; and

(ii) Written reports at reasonable intervals, prior to and after final settlement, as to:

(A) The commercial use that is being made or is intended to be made of such invention; and

(B) The steps taken by the Contractor to bring the invention to the point of practical application, or to make the invention available for licensing.

(5) If an application has been filed, the Contractor shall notify the agency, not less than 30 days before the expiration of the response period for any action required by the Patent Office, of any decision not to continue prosecution of such application.

(6) For each reported subject invention on which the Contractor does not file a patent application or discontinues prosecution of an application, the Contractor shall convey to the Government, upon request, the Contractor's entire right, title, and interest in such invention by delivering to the Contracting Officer such duly executed instruments (prepared by the Government) and such other papers as are deemed necessary to vest in the Government the entire right, title, and interest and to enable the Government to apply for and prosecute patent applications covering such invention throughout the world. The conveyance to the Government shall be subject to the reservation of the license to the Contractor specified in (d), above.

(7) For each reported subject invention on which the Contractor does not file a patent application the Contractor shall inform the agency promptly in writing of the date and identity of any sale, public use, or publication of such invention made by or known to the Contractor, or any contemplated action of this nature.

(j) Filing of foreign patent applications.

(1) When the Contractor acquires, pursuant to this clause, the right to file a patent application on a subject invention in any foreign country, he shall file such application in accordance with applicable statutes and regulations and within:

(i) Nine months from the date of a corresponding United States application filed by or on behalf of the Contractor;

(ii) Six months from the date permission is granted to the Contractor to file foreign applications;

(iii) Six months from the date the invention is submitted in an invention disclosure pursuant to (e), above; or

(iv) Such longer period as may be approved by the Contracting Officer.

(2) The Contractor shall notify the agency promptly of each foreign application filed and, upon written request of the agency, shall furnish an English translation of such foreign application without additional compensation.

(3) The Contractor shall convey to the Government, upon request, the entire right, title, and interest in and to each such subject invention in each foreign country in which an application has not been filed by the Contractor within the time specified in (1) by delivering to the Contracting Officer duly executed instruments prepared by the Government. The conveyance to the Government shall be subject to the reservation of a nonexclusive and royalty-free license to the Contractor and his existing and future associated companies, if any, within the corporate structure of which the Contractor is a part and shall be nonassignable, without approval of the agency, except to the successor of that part of the Contractor's business to which the invention pertains.

(k) Withholding of payment.

(1) Final payment under this contract shall not be made before the Contractor delivers to the Contracting Officer the final report required by (e)(3); above, all written invention disclosures required by (e)(1), and all information as to subcontracts required by (1)(4).

(2) If at any time before final payment under this contract the Contractor fails to deliver an interim report required by (e)(3) or an invention disclosure required by (e)(1), the agency shall withhold from payment \$50,000, or 5 percent, of the amount of this contract whichever is less (or whatever lesser sum is available if payments have exceeded 95 percent of the amount of this contract) until the Contractor corrects all such failures. If the Contractor is a nonprofit organization, the amount that may be withheld shall not exceed 1 percent of the amount of the contract or \$50,000, whichever is less.

(3) After payments total 80 percent of the amount of this contract, and if no amount is required to be withheld under (2), above, the Contracting Officer may, if he deems such action warranted because of the Contractor's performance under the Patent Rights clause of this contract or other known Government contracts, withhold from payment such sum as he considers appropriate, not exceeding \$50,000, or 5 percent, of the amount of this contract whichever is less, to be held as a reserve until the Contractor delivers all the reports, disclosures, and information specified in (1), above. Subject to the withholding limitation of (2), above, the sum withheld under this subparagraph (3) may be increased or decreased from time to time at the discretion of the Contracting Officer.

(4) No amount shall be withheld under this paragraph while the amount specified by this paragraph is being withheld under other provisions of the contract. The total amount withheld under (2) and (3), above, shall not exceed \$50,000, or 5 percent, of the amount of this contract whichever is less. The withholding of any amount or subsequent payment thereof to the

Contractor shall not be construed as a waiver of any rights accruing to the Government under this contract.

(1) Subcontracts.

(1) The Contractor shall, unless otherwise authorized or directed by the Contracting Officer, include a Patent Rights clause, modified to identify the parties and containing all the provisions of this clause except provision (k), above, in any subcontract hereunder where a purpose of the subcontract is the conduct of experimental, developmental, or research work. In the event of refusal by a subcontractor to accept this clause, or if in the opinion of the Contractor this clause is inconsistent with the policy set forth in 41 CFR 1-9.107-3, the Contractor:

(i) Shall promptly submit a written report to the agency setting forth the subcontractor's reasons for such refusal and other pertinent information which may expedite disposition of the matter; and

(ii) Shall not proceed with the subcontract without the written authorization of the Contracting Officer.

(2) The Contractor shall not, in any subcontract or by using such a subcontract as consideration therefor, acquire any rights to subject invention for his own use (as distinguished from such rights as may be required solely to fulfill his contract obligations to the Government in the performance of this contract).

(3) A subcontractor may furnish to the Contractor for transmission to the Contracting Officer invention reports, instruments, and other information required to be furnished to the Contracting Officer under the provisions of such a Patent Rights clause in a subcontract hereunder, or in his discretion (or by direction of the Contracting Officer) he may submit the same directly to the Contracting Officer.

(4) The Contractor shall promptly notify the Contracting Officer in writing of any subcontract containing a Patent Rights clause, and furnish to the Contracting Officer a copy of such contract, and shall notify the Contracting Officer when such subcontract is completed. If there are no subcontracts containing Patent Rights clauses, a negative report shall be included in the final report submitted pursuant to (e)(3).

(5) The Contractor shall exert his best effort to identify all subject inventions of the subcontractor and shall notify the Contracting Officer promptly upon the identification of such invention.

(6) It is understood that the Government is a third party beneficiary of any subcontract clause granting rights to the Government in subject inventions, and the Contractor hereby assigns to the Government all the rights that he would have to enforce the subcontractor's obligations for the benefit of the Government with respect to subject inventions. The Contractor shall not be obligated to enforce the agreements of any subcontractor hereunder relating to the obligations of the subcontractor to the Government in regard to subject inventions.

(b) Patent Rights clause - Option in the Contractor. Where the agency has determined that the proposed contract comes within § 1-9.107-4(a)(3), the Patent Rights clause set forth in (a), above, shall be included in the contract, except that the name of the clause shall be changed to "Patent Rights - Option in the Contractor" and the paragraph (b) of that clause shall be replaced by the following paragraph (b):

(b) Disposition of rights. The Contractor shall have the right to acquire the entire right, title, and interest throughout the world in and to each subject invention of the Contractor submitted in an invention disclosure pursuant to (e), below, subject to the rights granted to the Government in (c). The Contractor shall include with each invention disclosure an election as to whether a domestic patent application will be filed by or on behalf of the Contractor.

(c) Patent Rights clause - Deferred Determination. Where the agency has determined that the proposed contract comes within § 1-9.107-4(a)(4), the Patent Rights clause set forth in (a), above, shall be included in the contract, except that the name of the clause shall be changed to "Patent Rights - Deferred Determination" and paragraph (b) of that clause shall be replaced with the following paragraph (b):

(b) Disposition of rights.

(1) Determination. The Government shall have the sole and exclusive power to determine the disposition of the rights in any subject invention of the Contractor and to determine whether or not and where a patent application shall be filed on the invention, except as provided in (c), (d), and (f), below.

(2) Request for greater rights.

(i) The Contractor may request greater rights in a subject invention than the license specified in (d) and the right to file a United States patent application. The request shall be submitted to the Contracting Officer in writing at the time of first disclosure of the invention pursuant to (e), below, or not later than 3 months thereafter or such longer period as may be authorized by the Contracting Officer for good cause shown in writing.

(ii) The request in (i) shall contain a statement of the Contractor's intention and plan to bring the invention to the point of practical application. The Contractor shall establish, upon request, the likelihood that the invention will be more expeditiously developed to the point of practical application under his plan than by Government licensing or dedication to the public. However, if the invention falls within the criteria of 41 CFR 1-9.107-3(a), the request shall set forth information and facts tending to show that (A) the acquisition of such greater rights is a necessary incentive to call forth private risk capital and expense to bring the invention to the point of practical application or (B) the Government's contribution to the invention was small compared to that of the Contractor.

(3) Foreign rights. If the Government determines not to file a patent application on a subject invention of the Contractor in any particular foreign country, the agency may authorize the Contractor to file a patent application on such invention in such foreign country and to acquire the entire right, title, and interest therein, subject to the license to the Government specified in (c).

(d) License for States and municipal governments.

(1) When the agency head determines at the time of contracting that it would not be in the public interest to acquire a paid-up license under a subject invention for States and domestic municipal governments, subparagraph (1) of paragraph (c) in the clause set forth in § 1-9.107-5(a) shall be replaced with the following subparagraph:

(1) The Contractor agrees to and does hereby grant to the Government a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency).

(2) When the agency head wishes to reserve the right to make the determination after the invention has been identified, subparagraph (1) of paragraph (c) in the clause set forth in § 1-9.107-5(a) shall be replaced with the following subparagraph:

(1) The Contractor agrees to and does hereby grant to the Government a nonexclusive, nontransferable, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government of the United States (including any Government agency), States, and domestic municipal governments, unless the agency head determines after the invention has been identified that it would not be in the public interest to acquire the license for States and domestic municipal governments.

(e) Right to sublicense foreign governments.

(1) When the agency head determines at the time of contracting that it would be in the national interest to acquire the right to sublicense any foreign government pursuant to any existing or future treaty or agreement, the following subparagraph shall be included as subparagraph (2) in paragraph (c) in the clause set forth in § 1-9.107-5(a) and the remaining subparagraphs in paragraph (c) shall be renumbered accordingly:

(2) The license specified in (1) shall include the right of the Government to sublicense any foreign government pursuant to any existing or future treaty or agreement.

(2) When the agency head wishes to reserve the right to make the determination to sublicense foreign governments pursuant to any existing or future treaty or agreement until after the invention has been identified, the following subparagraph shall be included as subparagraph (2) in paragraph (c) in the clause set forth in § 1-9.107-5(a) and the remaining subparagraphs in paragraph (c) shall be renumbered accordingly:

(2) The license specified in (1) shall include the right of the Government to sublicense any foreign government pursuant to any existing or future treaty or agreement if the agency head determines after the invention has been identified that it would be in the national interest to acquire this right.

(f) Irrevocable licenst to contractor. When the agency decides to grant the contractor an irrevocable, nonexclusive, royalty-free license on a subject invention, paragraph (c) in the clause set forth in § 1-9.107-5(a) shall be replaced with the following paragraph (d):

(d) The Government hereby grants to the Contractor an irrevocable, non-exclusive, royalty-free, license on each subject invention for the practice of the invention throughout the United States, its territories and possessions, Puerto Rico, and the District of Columbia. The license shall extend to the Contractor's existing and future associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part and shall be nonassignable without approval by the agency, except to the successor of that part of the Contractor's business to which the invention pertains.

§ 1-9.107-6 Agencies subject to statutory and treaty requirements.

Agencies subject to specific statutes and to any existing and future treaty or agreement between the United States and any foreign country shall individually modify the Patent Rights clauses in § 1-9.107-5(a), (b), and (c) to meet the requirements of such statutes, treaty, or agreement.

(Sec. 205(c), 63 Stat. 390; 40 U.S.C. 486(c))

Effective date. This amendment is effective but may be observed earlier.

Dated: