Patents, Data & Copyrights
& Related Matters

Effective July 13, 1977

CFR Part 9-9
& Related Parts

Energy Research & Development Administration
Washington, D.C. 20545

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Title 41—Public Contracts and Property Management

CHAPTER 9—ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

PATENTS, DATA AND COPYRIGHTS

Final Regulations

AGENCY: Energy Research and Development Administration.

ACTION: Final regulations.

SUMMARY: The Energy Research and Development Administration (ERDA) finalizes its regulations on Patents, Data, and Copyrights and related matters. These regulations revise those inherited from the Atomic Energy Commission (AEC) and the temporary regulations issued early in the period of transition from AEC to ERDA. Consequently, there is now provided for ERDA a unified body of final regulations for Patents, Data, and Copyrights.

DATE: Effective date, July 13, 1977

ADDRESS: Albert Sopp (Office of the Assistant General Counsel for Patents, U.S. Energy Research and Development Administration, Washington, D.C. 20545)

FOR FURTHER INFORMATION CONTACT:

Albert Sopp, 301–353–4970.

SUPPLEMENTARY INFORMATION: These regulations revise the following issuances which are hereby revoked: ERDA Temporary Regulation No. 9 (Immediate Action Directive 9100–1) published on April 15, 1975 (40 FR 16848); ERDA Procurement Regulations, Part 9–9, published on October 7, 1975 (40 FR 46802); and proposed regulations for Patents, Data and Copyrights published for permissive use and public comment on October 15, 1975 (40 FR 48363). Other sections of Chapter 9 as identified below are hereby amended or revised as indicated to conform with these regulations. When ERDA was formed on January 19, 1975, only the patent, data and copyright regulations applicable to the Atomic Act were available. In April 1975, ERDA issued Temporary Regulation No. 9 providing interim guidance to ERDA's contracting officers concerning ERDA's two statutory provisions, the Atomic Energy Act of 1954, as amended, and the Federal Nonnuclear Energy Act of 1974. After the ERDA Procurement Regulations were published on October 7, 1975, ERDA published proposed regulations governing patent, data, and copyright matters on October 15, 1975, for public comment and permissive use. The proposed regulations sought to harmonize the patent and data policies controlling invention and data rights in ERDA contracts involving either nuclear or nonnuclear activities. Comments received from the public on the proposed regulations were summarized in ERDA's Report to the President and Congress of the United States, ERDA 76–16 published January 1976 (For sale by the U.S. Government Printing Office, Washington, D.C. 20402. Price, $4).

Based on the comments received and ERDA's operating experience under the proposed regulations for the past 18 months, the proposed regulations for Patents, Data and Copyrights have been revised to form the final regulations set forth below.

Because the Patent, Data and Copyright Regulations of Part 9–9 set forth below impact on and are referred to in other parts of Chapter 9, amendments have been made to the affected sections of those other parts and are included herein following the text of revised Part 9–9. In addition, §§ 9–3.150 to 9–3.150–5 entitled "Treatment of Proposal Information" set forth in the ERDA Procurement Regulations published on October 7, 1975 have been revised and, as now finalized, incorporate material concerning proposal information formerly appearing in § 9–9.202–3(d) of the proposed regulation on "Patents, Data and Copyrights" published on October 15, 1975. With this revision the provisions concerning treatment of proposal information appear in one place, § 9–3.150 et. seq., in Chapter 9.

A considerable number of changes of a significant nature which have been incorporated in the Patent, Data and Copyright regulations are the result of the many constructive suggestions received from interested members of the public. In several situations ERDA's operating experience over the past 18 months has confirmed the appropriateness of these suggestions, while in other instances agency experience gained through negotiation of contract patent and data clauses has shown some suggestions as not being feasible, suitable, or acceptable. Among policy and procedural changes have been the establishment in § 9–9.109–6(h) of new policy and procedures for granting patent waivers to nonprofit educational institutions on the basis of their technology transfer programs and capabilities similar to the guidelines prepared for the Federal Procurement Regulations, and the identification of small business as a typical waiver situation.

The following table sets forth other revisions and amendments to the patent and data clauses of ERDA PR, Part 9–9, Patents, Data and Copyrights, published on October 15, 1975. For the most part the changes are technical and procedural and are the combined result of public suggestions and agency experience. The portion of Part 9–9 covering policy and procedures has been revised, amplified or clarified as appropriate to explain and provide instructions and guidelines for the clause changes which are briefly described below.

§ 9–9.102–1, 2. Provides that the Authorization and Consent clauses in contracts for research, development or demonstration, or for supply, are flowed down to subcontractors.

§ 9–9.107–5(a). Patent Rights (long form) clause has been amended to clarify contracting officer's status as focal point for contractor except in situations peculiar solely to processing of patent matters.

Subparagraph (b)(2). Simplifies time period calculation for requesting "greater rights".

Paragraph (c). Conforms contractor sublicensing rights with FPR.

Paragraph (i). Limits application of withholding of payment provisions to prime contractors.

Subparagraph (k)(4). Broadens conditions not requiring contractor licensing of background patents.

Paragraph (m). Adds provision placing specific limits on patent rights obtained by Government in conformance with FPR.

§ *9–9.107–5(e)*. Provides an optional subparagraph (c)(1) for Patent Rights clause in which the license right reserved to contractor upon request is not necessarily royalty free where contractor has access to Restricted Data.

§ *9–9.107–5(g)* (*1*), (*2*). Provides optional paragraphs for use in Patent Rights (long form) clause permitting contractors having revocable or irrevocable licenses to grant sublicenses beyond sublicensing obligations existing at time of contracting.

§ *9–9.107–5(h)*. Provides paragraph for use in Patent Rights (long form) clause in contracts for operation of Government owned facilities requiring grant to Government of paid-up license in inventions integrated into facility.

§ *9–9.107–6*. Permits use of Patent Rights (short form) clause for certain consultant contracts.

§ *9–9.107–6(g)*. Provides paragraph in Patent Rights (short form) clause enabling streamlined publication review for patent clearance.

§ *9–9.202–3(c)*. Provides new Additional Technical Data Requirements clause in which Government has the right to order contract data "first produced or specifically used in the performance of the contract" unless data specifically used are proprietary.

§ *9–9.202–3(e)*(2). Revises Rights in Technical Data (long form) clause; incorporates new definition of "proprietary data" and new term "contract data" (replacing 'subject data').

Subparagraph (b)(2)(*ii*): Provides in Rights in Technical Data (long form) clause that contractor has right to privately use contract data if data requirements of contract are met and has obligation to treat data received from external sources in accordance with restrictions thereon.

Paragraph (*d*). Establishes new provision in Rights in Technical Data (long form) clause obligating contractor to acquire data and rights therein from subcontractor to meet data requirements of prime contract.

§ *9–9.202–3(e)*(*3*). Modifies paragraph in Rights in Technical Data (long form) clause to permit data to be excluded from delivery as limited rights data; provides uniform restrictive legend with optional subparagraphs to cover different needs for data.

§ *9–9.202–3(e)*(*4*). Modifies paragraph in Rights in Technical Data (long form) clause to permit data to be excluded from contractors licensing obligations regarding contract data.

§ *9–9.202–3(f)*. Establishes new Rights in Data—Special Works clause for books, motion pictures, etc., to be produced under contract and provides for Government ownership of such works.

§ *9–9.202–3(g)*. New Rights in Technical Data (short form) clause is provided for use in contracts generally parallel with use of Patent Rights (short form) clause unless proprietary data is involved.

§ *9–9.202–4* (*a*), (*b*), (*c*). A basic Rights in Technical Data (facility) clause is provided for use in operating contracts and subcontracts for special production plants, facilities, or equipment therefor. Clause provides Government ownership in technical data first produced under contract and unlimited rights and facilities license in Government for technical data specifically used unless proprietary. Clause obligates operating contractor to employ rights in technical data (long form) clause in subcontracts in accordance with policy and procedures of this subpart.

Although these regulations are effective July 13, 1977, the submission of comments and suggestions from interested persons to Mr. Albert Sopp at the above address is encouraged.

(Section 105 of the Energy Reorganization Act of 1974 (Pub. L. 93–438).)

Dated: June 28, 1977.

ROBERT W. FRI,
Acting Administrator.

1. Revisions or amendments to Parts of Chapter 9 are to be made as set forth below:

PART 9–1—GENERAL

§ 9–1.109–2 [Amended]

2. In § 9–1.109–2(b), second line, after "Headquarters,", insert

"or the Assistant General Counsel for Patents, as appropriate,";

3. In § 9–1.5408, redesignate paragraphs (a) and (b)(1) as paragraph (a), redesignate paragraphs (b) (2), (3), (4) and (c) as (b), (c), (d) and (e) respectively, and revise the heading for § 9–1.5408 and new paragraph (a) as follows:

§ 9–1.5408 Protection and private use of information and data by contractors.

(a) The contractor's obligations for protection of information and data received from ERDA and other contractors or subcontractors, and for the contractor's private use of contract data first produced in the performance of the contract, are set forth in subparagraph (b)(2) of each Rights in Technical Data clause in subpart 9–9.2. This subparagraph provides that the contractor may, subject to patent, security or other provisions of the contract, use for its private purposes contract data it first produces in the performance of the contract provided that the contractor has met its data requirements (e.g., delivery of data in the form of progress or status reports specified to be delivered) as of the date of the private use of such data. It is not

necessary that a "Final Report" be submitted in order to privately use data if all required progress and interim reports and other technical data then due have been delivered. Paragraph (b)(2) further provides that technical or other data received by the contractor in the performance of the contract must be held in confidence by the contractor in accordance with restrictions accompanying the data.

* * * * *

PART 9–3—PROCUREMENT BY NEGOTIATION

4. Revise §§ 9–3.150, 9–3.150–1, 9–3.150–2, 9–3.150–3, 9–3.150–4, 9–3.151, 9–3.151–1, 9–3.151–2, 9–3.151–3, 9–3.152 to read as follows:

§ 9–3.150 Proposal information.

§ 9–3.150–1 General.

It is the policy of ERDA to use information contained in proposals only for evaluation purposes except to the extent such information is generally available to the public, is already the property of the Government or the Government already has unrestricted use rights, or is or has been made available to the Government from any source, including the proposer or offeror, without restriction. The term proposals as used in this section includes responses to Program Opportunity Notices (PONs), Program Research and Development Announcements (PRDAs), and solicitations of a similar nature in addition to Requests For Proposals (RFPs). As a practical matter, ERDA cannot assume any responsibility for disclosure or use of any such information unless it is identified by the proposer or offeror in accordance with this section. Unless a solicitation specifies otherwise, ERDA will not refuse to consider a solicited proposal or an unsolicited proposal merely because the proposal is restrictively marked. (See also Subparts 9–4.51, 9–4.52, 9–4.57, 9–4.58 and 10 CFR Part 709.)

§ 9–3.150–2 Treatment of proposal information.

(a) A proposal may include technical data and other data, including trade secrets and/or privileged or confidential commercial or financial information, which the proposer does not want disclosed to the public or used by the Government for any purpose other than proposal evaluation. To protect such data the proposer should specifically identify each page including each line or paragraph thereof containing the data to be protected and mark the cover sheet of the proposal with the following notice.

NOTICE

The data contained in pages ____ of this proposal have been submitted in confidence and contain trade secrets and/or privileged or confidential commercial or financial information, and such data shall be used or disclosed only for evaluation purposes, provided that if a contract is awarded to this proposer as a result of or in connection with the submission of this proposal, the Government shall have the right to use or disclose the data herein to the extent provided in the contract. This restriction does not limit the Government's right to use or disclose data obtained without restriction from any source, including the proposer.

References to the above notice on the cover sheet should be placed on each page to which the notice applies. Data, or abstracts of data, marked with this notice will be retained in confidence and used by ERDA or its designated representative(s), including Government contractors and consultants, as set forth in § 9–3.150–4 below, solely for the purpose of evaluating the proposal. The data so marked will not otherwise be disclosed or used without the proposer's prior written permission except to the extent provided in any resulting contract, or to the extent required by law. Proposers should be aware of the provisions of § 9–3.150–4 below if they desire to modify the above notice or otherwise seek to limit the evaluation to the Government only. The restriction contained in the notice does not limit the Government's right to use or disclose any data contained in the proposal if it is obtainable from any source, including the proposer, without restriction. Although it is ERDA's policy to treat all proposals as confidential, the Government assumes no liability for disclosure or use of unmarked data and may use or disclose such data for any purpose. See FPR 1–3.103(b) regarding disclosure to other offerors.

(b) Should a contract be awarded based on a proposal, it is ERDA policy, in consideration of the award, to obtain unlimited rights for the Government in the technical data contained in the proposal unless the prospective contractor marks those portions of the technical information which he asserts as "proprietary data", or specifies those portions of such technical data which are not directly related to or will not be utilized in the work to be funded under the contract. "Proprietary data" is defined in § 9–9.201(b) of these Regulations as technical data which embody a trade secret developed at private expense, such as design procedures or techniques, chemical composition of materials or manufacturing methods, processes or treatments, including minor modifications thereof, provided that such data: (1) Are not generally known or available from other sources without obligation concerning their confidentiality, (2) have not been made available by the owner to others without obligation concerning their confidentiality, and (3) are not already available to the Government without obligation concerning their confidentiality. A proposer who receives a contract award shall mark the data identified as proprietary by specifying the appropriate proposal page numbers to be inserted in the "Rights to Proposal Data" clause of paragraph (c) of this section, which clause shall be included in the contract. Subject to the concurrence of the contracting officer, information unrelated to the contract may be deleted from the proposal by the contractor. The responsibility, however, of identifying technical data as proprietary

or deleting it as unrelated rests with the prospective contractor.

(c) Pursuant to paragraph (b) of this section, the following clause shall be included in any contract based on a proposal. This clause is intended to apply only to technical data and not to other data such as priviliged or confidential commercial or financial information.

RIGHTS TO PROPOSAL DATA

Except for technical data contained on pages ____ of the contractors' proposal dated ---------- which are asserted by the contractor as being proprietary data, it is agreed that as a condition of the award of this contract, and notwithstanding the provisions of any notice appearing on the proposal, the Government shall have the right to use, duplicate, and disclose and have others do so for any purpose whatsoever, the technical data contained in the proposal upon which this contract is based.

§ 9–3.150–3 Handling notice.

In order that proposals may be handled in confidence consistent with the policies set forth in this section, the following notice shall be affixed to a cover sheet attached to each proposal upon receipt by ERDA. Use of the following notice neither alters any obligation of the Government, nor diminishes any rights in the Government to use or disclose data or information.

NOTICE FOR HANDLING PROPOSALS

This proposal shall be used or duplicated only for ERDA evaluation purposes, and this notice shall be affixed to any reproduction or abstract thereof. Disclosure of this proposal outside the Government for ERDA evaluation purposes shall not be made unless the provisions of § 9–3.150–4 are followed. The restrictions contained in this notice do not apply to any data or commercial or financial information contained in this proposal if it is already generally available to the public, is already available to the Government on an unrestricted basis or is the property of the Government, or is or becomes available from any source, including the proposer, without restriction.

§ 9–3.150–4 Disclosure outside Government.

(a) *Policy.* It is the policy of ERDA to have proposals evaluated by the most competent persons available in Government. In addition, ERDA frequently meets its evaluation needs by having proposals reviewed by evaluators outside the Government, such as, by consultants, grantees, contractors, and contractor organizations operating or managing Government-owned facilities. Such latter outside evaluations may be made provided the requirements in (b) and (c) of this section are met. A decision to employ outside evaluation shall take into consideration ERDA requirements for avoidance of organizational conflicts of interest set forth in Subpart 9–1.54 and the competitive relationship, if any, between the proposer and the prospective outside evaluator.

(b) *Approval.* Decisions in ERDA Headquarters to evaluate proposals outside the Government shall be made by the responsible program division director, and in ERDA field offices by the field office manager. If the proposal under consideration expressly indicates that only Government evaluation is authorized and evaluation outside the Government is nevertheless desired, the proposer should be advised that ERDA may be unable to give full consideration to the proposal unless the proposer consents in writing to having the proposal evaluated outside the Government.

(c) *Agreement with evaluator.* Where it is determined to evaluate a proposal outside the Government, such as, by consultants, grantees and contractors including those who operate or manage government owned facilities, the following agreement or an equivalent arrangement for the treatment of the proposal shall be obtained from the outside evaluator before ERDA furnishes a copy of the proposal to such person. In addition, care should be taken that the notice required by § 9–3.150–3 is affixed to a cover sheet attached to the proposal before it is disclosed to the evaluator.

CONDITIONS FOR EVALUATING PROPOSALS

Whenever ERDA furnishes a proposal for evaluation, the recipient agrees to use the information contained in the proposal only for ERDA evaluation purposes and to treat the information obtained in confidence. This requirement does not apply to information obtainable from any source, including the proposer, without restriction. Any notice or restriction placed on the proposal by either ERDA or the originator of the proposal shall be conspicuously affixed to any reproduction or abstract thereof and its provisions strictly complied with. Upon completion of the evaluation, the recipient shall return all copies of the proposal and abstracts, if any, to the ERDA office which initially furnished the proposal for evaluation. Unless authorized by the ERDA initiating office, the recipient shall not contact the originator of the proposal concerning any aspect of its contents.

§ 9–3.151 Identification of proprietary data in proposals.

§ 9–3.151–1 Solicited proposals (including PONs and PRDAs).

Even though the statement of work contained in a solicitation sets forth the known requirements for technical data, i.e., technical data which will be specified to be delivered, there is no assurance that the contractor will deliver all of this data because paragraph (e) of the Rights in Technical Data (long form) clause of § 9–9.202–3(e)(2) of these regulations permits the contractor to withhold proprietary data from delivery. In order to ascertain the technical data each proposer intends to actually withhold as proprietary data, and as an aid in determining whether to include the provision for limited rights in proprietary data set forth in optional paragraph (g) of the Rights in Technical Data (long form) clause, the provision set forth in § 9–3.151–2 below shall be included in the solicitation. This provision explains that solicitations will include ERDA's known requirements for technical data, and that the proposer must submit a list identifying to the best of its knowledge which of this data will be withheld pursuant to paragraph (e) of the Rights in Technical Data (long form) clause of § 9–9.202–3(e)(2), or state that no technical data will be withheld. The sub-

mission of such list does not constitute a stipulation or determination by the Government that the data identified therein are in fact proprietary. In addition, the provision to be included in the solicitation refers to the Additional Technical Data Requirements clause, § 9-9.202-3(c) of these regulations, as being included in the proposed contract where, due to programmatic considerations, it is contemplated that all of the requirements for technical data will not be known at the time of contracting. When a proposer specifically identifies the proprietary data to be withheld, the contracting officer shall, as advised by the appropriate program manager, determine whether: (a) The Government needs limited rights in the proprietary data, in which case the optional paragraph (g) will be included in the Rights in Technical Data (long form) clause, (b) The Government needs the right to require contractor licensing of proprietary data to the Government and responsible third parties, in which case optional paragraph (h) will be included in the Rights in Technical Data (long form) clause, and (c) The Government needs unlimited rights in the proprietary data, in which case negotiations may be held to purchase or obtain a suitable license in the proprietary data.

§ 9-3.151-2 Solicitations.

The following provision shall normally be included in solicitations which may result in contracts calling for research, development or demonstration work or contracts for supplies in which delivery of required technical data are contemplated.

The section of this solicitation which describes the work to be performed also sets forth ERDA's known requirements for technical data. The Additional Technical Data Requirements clause if included in this solicitation, provides the Government with the option to order additional technical data, the requirements for which are not known at the time of contracting. There is, however, a built-in limitation on the kind of technical data which may be required. This limitation is found in paragraph (e) of the Rights in Technical Data clause which provides that the contractor may withhold delivery of proprietary data.

Accordingly, it is necessary that your proposal state that the work to be performed and the known requirements for technical data as set forth in the solicitation have been reviewed, and either state that to the best of your knowledge, no data will be withheld, or submit a list identifying the proprietary data which to the best of your knowledge will likely be used in the contract performance and will be withheld.

§ 9-3.151-3 Unsolicited proposals.

The contracting officer shall during contract negotiations identify technical data which will be required to be furnished under the contract. In such instance the proposer shall be required as part of the negotiation record to submit a list identifying to the best of his knowledge which of this data will be withheld as proprietary under paragraph (e) of the Rights in Technical Data (long form) clause, or state that no technical data will be withheld. The contracting officer shall then make the determinations, in the same manner as set forth in § 9-3.151-1 above for solicited proposals, pertaining to the proprietary data identified to be withheld.

§ 9-3.152 Required notice of right to request patent waiver.

As set forth in § 9-9.107-4(a)(6) of these regulations, offerors and prospective contractors are to be provided with notice of and the right to request, in advance of or within 30 days after the effective date of contracting, a waiver of all or any part of the rights of the United States with respect to subject inventions. In no event will the fact that an offeror has requested such a waiver be a consideration in the evaluation of his offer or the determination of his acceptability. Accordingly, the following notice will be given to all prospective contractors and will be inserted in all solicitations which may result in contracts calling for research, development or demonstration work:

Offerors and prospective contractors in accordance with applicable statutes and ERDA Regulations (41 CFR 9-9.109-6) have the right to request in advance of or within 30 days after the effective date of contracting a waiver of all or any part of the rights of the United States in subject inventions —;

PART 9-4—SPECIAL TYPES AND METHODS OF PROCUREMENT

§ 9-4.5110-1 [Amended]

5. In § 9-4.5110-1, last line, delete portion in parenthesis;

§ 9-4.5110-2 [Amended]

§ 9-4.5110-2, revise paragraph (b) by changing the last sentence and parenthetical statement as follows:

The contractor or principal investigator may publish contract data if approved by ERDA in accordance with the provisions of the Patent Rights clause, § 9-9.107-5(a) (long form) or § 9-9.107-6 (short form). —;

§ 9-4.5112-8 [Reserved]

6. In § 9-4.5112-8, delete in entirety and change to—(Reserved)—.

§ 9-4.5603 [Amended]

§ 9-4.5603(c) is revised as follows:

(c) The level at which a participant cost shares is a factor considered pursuant to grant of waiver of patent rights under § 9-9.109-6. —;

PART 9-7—CONTRACT CLAUSES

§ 9-7.5006-7 [Amended]

7. Section 9-7.5006-7 is revised as follows:

See paragraph (c) of the following clauses: § 9-9.202-3(e)(2), Rights in technical data (long form); § 9-9.202-3(g)(2), Rights in technical data (short form), and § 9-9.202-4(c)(2), Rights in technical data (facility). —;

8. Section 9-7.5006-8 is revised as follows:

§ 9–7.5006–8 Copyright (Special works).

See § 9–9.202–3(f)(2) which provides for ownership by Government of data first produced or composed in the performance of the contract. —;

§ 9–7.5006–10 [Amended]

9. Section 9–7.5006–10(d)(7) is revised as follows:

(7) Royalty payments and patent costs:

(i) Royalties and other costs for use of patents in accordance with FPR 1–15.205–36.

(ii) Patent costs in accordance with FPR 1–15.205–26 —;

§ 9–7.5006–12 [Amended]

10. In § 9–7.5006–12(d)(7) is revised as follows:

(7) Royalty payments and patent costs:

(i) Royalties and other costs for use of patents in accordance with FPR 1–15.205–36.

(ii) Patent costs in accordance with the FPR 1–15.205–26 —;

11. In § 9–7.5006–13 is revised as follows:

§ 9–7.5006–13 Rights in technical data.

(a) Clauses affecting the Government's acquisition and rights in technical data are set forth in Subpart 9–9.2 and are to be used as indicated in the following situations.

(1) For contracts with commercial organizations, see § 9–9.202–3(c) and § 9–9.202–3(e)(2);

(2) For contracts with nonprofit or educational institutions or consultants, where no proprietary data is involved, see § 9–9.202–3(g)(2);

(3) For facilities contracts, see § 9–9.202–4(c)(2);

(4) For contracts calling for production of books, motion picture or television recordings or scripts, and the like, see § 9–9.202–3(f)(2).

12. Revise § 9–7.5006–16 to 9–7.5006–22 inclusive as follows:

§ 9–7.5006–16 Authorization and consent.

See § 9–9.102–1 (supply or service contracts) and § 9–9.102–2 (research, development or demonstration contracts).

§ 9–7.5006–17 Patent indemnification.

See § 9–9.103–1 (formally advertised contracts) and § 9–9.103–3 (negotiated contracts).

§ 9–7.5006–18 Notice and assistance.

See § 9–9.104.

§ 9–7.5006–19 Classified inventions.

See § 9–9.106.

§ 9–7.5006–20 Patent Rights (long form) clause.

See § 9–9.107–5(a).

§ 9–7.5006–21 Patent Rights (short form) clause.

See § 9–9.107–6.

§ 9–7.5006–22 Patents—reporting of royalties.

See § 9–9.110 —:

13. In § 9–7.5006–59, revise the text appearing under the heading "Private use of contract information and data" as follows:

§ 9–7.5006–59 Private use of contract information and data.

Use of contract information or data by the contractor for private purposes is governed by subparagraph (b)(2) of each Rights in Technical Data clause in Subpart 9–9.2 —;

PART 9–59—ADMINISTRATION OF COST-TYPE CONTRACTOR PROCUREMENT ACTIVITIES

§ 9–59.004 [Amended]

14. In § 9–59.004, revise the item appearing in the 20th line under the subheading "Subject" as follows:

Patents, Data and Copyrights —;

§ 9–59.004 [Amended]

15. In § 9–59.004, revise the item appearing in the 20th line under the subheading "Reference" as follows:

Parts 9–9 —;

16. In the Appendix to 41 CFR Chapter 9, in Temporary Regulation No. 16, published in March, 1976 (41 FR 10606), in § 9–4.5804–4(b), change the reference to "§ 9–3.150–4" to "§ 9–3.150–3".

NOTE.—Revision of Part 9–16, "Procurement Forms" to the extent necessary to be compatible with revised Part 9–9, "Patents, Data and Copyrights" is still under consideration for revision at a later date. Accordingly, in the event of any conflict found to exist between Part 9–16 and revised Part 9–9, the provisions of Part 9–9 shall govern.

17. ERDA Temporary Regulation No. 9 in the Appendix to 41 CFR Chapter 9 is revoked.

18. Part 9–9 in 41 CFR Chapter 9 is revised to read as follows:

Part 9–9 Patents, Data, and Copyrights

Sec.

Sec.

Subpart 9–9.2—Technical Data and Copyrights

AUTHORITY: Sec. 105 of the Energy Reorganization Act of 1974 (Pub. L. 93–438).

§ 9–9.000 Scope of part.

This part sets forth policies, instructions, and contract clauses pertaining to patents, data, and copyrights in connection with the procurement of supplies and services.

Subpart 9–9.1—Patents

§ 9–9.100 Scope of subpart.

(a) This subpart sets forth policies, procedures, and contract clauses with respect to inventions made, conceived, or utilized in the course of or under any contracts, grants, agreements, understandings, or other arrangements entered into with or for the benefit of ERDA. ERDA's primary mission requires the use of its procurement process to insure the conduct of research, development and demonstration leading to the ultimate commercial utilization of all efficient sources of energy. Accordingly, ERDA's mission is not oriented toward reprocurement for Government use, except where procurements are involved with special classified programs or the construction or improvement of Government-owned facilities. To accomplish its mission, ERDA must work in cooperation with industry in the development of new energy sources and in achieving the ultimate goal of widespread commercial use. To this end, Congress has provided ERDA with an array of incentives to secure the adoption of the new technology developed for ERDA. An important incentive in commercializing technology is that provided by the patent system. As set forth in these Regulations, patent incentives, including ERDA's authority to waive the Government's patent rights to the extent provided for by statute, will be utilized in appropriate situations at the time of contracting to encourage industrial participation, foster commercial utilization and competition and make the benefits of ERDA's activities widely available to the public. In addition to considering the waiver of patent rights at the time of contracting, ERDA will also consider the incentive of a waiver of patent rights upon the reporting of an identified invention when requested by the contractor or the employee-inventor with the permission of the contractor. These requests can be made whether or not a waiver request was made at the time of contracting. Waivers for identified inventions will be provided where it is determined that the patent waiver will be a real incentive to achieving the development and ultimate commercial utilization of inventions. Where a waiver of the Government patent rights is granted, either at the time of contracting or upon request or after an invention is made, certain safeguards will be required by ERDA to protect the public interest.

(b) Another major ERDA mission is to manage the nation's uranium enrichment and other classified programs, where R&D procurements are directed toward processes and equipment not available to the public. To accomplish ERDA's programs for bringing private industry into these and other special programs to the maximum extent permitted by national security and policy considerations, it is desirable that the technology developed in these programs be made available on a selected basis for use in the particular fields of interest and under controlled conditions by properly cleared industrial and scientific research institutions. To insure such availability and control, the grant of waivers in these programs may necessarily be more limited than in other ERDA programs.

§ 9–9.101 [Reserved]

§ 9–9.102 Authorization and consent.

(a) Under 28 U.S.C. 1498, any suit for unauthorized use of a United States 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 (at any tier) 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 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 in the prime contract and shall apply to all subcontracts thereunder as provided below. The liability of the Government for damages in such suit against it may, however, ultimately be borne by a contractor or subcontractor in accordance with the terms of any patent indemnity clause also included in the contract or subcontract, and an authorization and consent clause does not detract from any patent indemnification commitment by a contractor or a subcontractor. Therefore, both a patent indemnity clause and an authorization and consent clause may be included in the same contract or subcontract.

(b) In certain contracting situations, such as those involving demonstration projects, consideration should be given to the impact of third party-owned patents covering technology that may be incorporated in the project which may ultimately affect widespread commercial use of the project results. In such situations, patent counsel should be consulted to determine what modifications, if any, should be made to the utilization of the Authorization and Consent and Patent Indemnity provisions or what other action might be deemed appropriate.

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

§ 9–9.102–1 Authorization and consent in contracts for supplies or services.

The following contract clause shall be included in all contracts for supplies or services except when prohibited by § 9–9.102(c) or in contracts for research, development, or demonstration work and in subcontracts thereunder in which the clause in § 9–9.102–2 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 (a) embodied in the structure or composition of any article the delivery of which is accepted by the Government under this contract or (b) utilized in the machinery, tools or methods the use of which necessarily results from compliance by the Contractor or the using subcontractor with (1) specifications or written provisions now or hereafter forming a part of this contract, or (ii) 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 all lower-tier subcontracts), and the Government assumes liability for all other infringement to the extent of the authorization and consent hereinabove granted.

§ 9–9.102–2 Authorization and consent in contracts for research, development or demonstration.

Greater latitude in the use of patented inventions may be necessary in a contract for research, development, or demonstration work than in a contract for supplies. Unless prohibited by § 9–9.102(c), the following clause shall be included in all contracts calling for research, development, or demonstration work and shall be included in contracts calling for both supplies and research, development, or demonstration work where the latter work is a primary purpose of the contract. In all other contracts for both supplies and research, development, or demonstration work, the Authorization and Consent clause in § 9–9.102–1 shall be used. If the following clause is included in a contract, the clause in § 9–9.102–1 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 all lower-tier subcontracts).

§ 9–9.103 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, including standard parts and components 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 shall be included in such contracts as well as in subcontracts, as appropriate, in accordance with the instructions set forth below. However, a Patent Indemnity clause normally shall not be used in contracts or subcontracts:

(a) When the Authorization and Consent clause in § 9–9.102–2 applicable to research, development, or demonstration contracts is authorized, except that in contracts calling also for supplies of the kind described above, or for supplying standard parts or components, the Patent Indemnity clause in § 9–9.103–3(b) may be used with respect to such supplies; in subcontracts thereunder, the Patent Indemnity clause of § 9–9.103–1 or 9–9.103–3 (b) shall be used as appropriate.

(b) When 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;

(c) When 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, in which case the instructions of § 9–9.103–1 or § 9–9.103–3 are applicable; or

(d) When the contract is for an amount of $10,000 or less (as a matter of administrative convenience, however, the clause need not be deleted where it is a part of a standard form being used for such contracts, since it is self-deleting).

§ 9–9.103–1 Patent indemnification in formally advertised contracts—commercial status predetermined.

Except as prohibited by § 9–9.103, the following clause is appropriate 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 $10,000, the Contractor shall indemnify the Government and its officers, agents, and employees against liability, including costs, for infringement of any United States letters patent (except U.S. 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 is afforded by applicable laws, rules, or regulations to participate in the defense thereof; and further, such indemnity shall not apply to: (a) 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; (b) 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 (c) a claimed infringement which is settled without the consent of the Contractor, unless required by final decree of a court of competent jurisdiction.

§ 9–9.103–2 [Reserved]

§ 9–9.103–3 Patent indemnification in negotiated contracts.

The fact that a contract is negotiated does not preclude inclusion of a Patent Indemnity clause in such a contract, and such clause may be included in negotiated construction contracts and in contracts for supplies when 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, or in contracts for supplying standard parts or components.

(a) Subject to the foregoing and to the prohibitions in § 9–9.103, the clause in § 9–9.103–1 is approved for use in negotiated contracts for construction work or supplies.

(b) Except as prohibited by § 9–9.103, the following clause is appropriate in research, development, or demonstration contracts when it has been determined by ERDA in any particular contracting situation that the contract will require standard supplies sold or offered for sale to the public on the commercial open market or utilize the contractor's practices or methods which normally are or have been used in providing goods and services on the commercial open market.

PATENT INDEMNITY

The Contractor shall indemnify the Government and its officers, agents, and employees against liability, including costs, for infringement of U.S. Letters Patent (except U.S. 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) resulting from the Contractor's: (a) Furnishing or supplying standard parts or components which have been sold or offered for sale to the public on the commercial open market; or (b) utilizing its normal practices or methods which normally are or have been used in providing goods and services in the commercial open market, in the performance of the contract; or (c) utilizing any parts, components, practices, or methods to the extent to which the Contractor has secured indemnification from liability. 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 is afforded by applicable laws, rules, or regulations to participate in the defense thereof; and further, such indemnity shall not apply to a claimed infringement which is settled without the consent of the Contractor, unless required by final decree of a court of competent jurisdiction or to 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.

§ 9–9.103–4 Waiver of indemnity by the Government.

If it is desired to exempt one or more specified United States patents from the Patent Indemnity clause in § 9–9.103–1 and § 9–9.103–3(b), concurrence for such exemption shall be obtained from the patent counsel assisting the procuring activity, 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 United States patents identified as 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).

§ 9–9.104 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 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 following clause shall be included in all contracts in excess of $10,000 for supplies, services, construction, research, development, or demonstration work. However, 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 (as a matter of administrative convenience, however, the clause need not be deleted when it is part of a standard form being used for such contracts since it is self-deleting).

NOTICE AND ASSISTANCE REGARDING PATENT AND COPYRIGHT INFRINGEMENT

The Provisions of this clause shall be applicable only if the amount of this contract exceeds $10,000.

(a) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of patent or copyright infringement based on the performance of this contract of which the Contractor has knowledge.

(b) In the event of any claim or suit against the Government on account of any alleged patent or copyright infringement arising out of the performance of this contract or out of the use of any supplies furnished or work or services performed hereunder, the Contractor shall furnish to the government when requested by the Contracting Officer, all evidence and information in possession of the Contractor pertaining to such suit or claim. Such evidence and information shall be furnished at the expense of the Government except where the Contractor has agreed to indemnify the Government.

(c) This clause shall be included in all subcontracts.

§ 9–9.105 [Reserved]

§ 9–9.106 Classified inventions.

Unauthorized disclosure of classified subject matter, whether in a patent application or resulting from the issuance of a patent, may be a violation of not only the Atomic Energy Act of 1954, as amended, and other laws relating to espionage and national security, but also provisions pertaining to disclosure of information incorporated in the contract. Accordingly, the following clause shall be included in every contract which covers or is likely to cover classified subject matter.

CLASSIFIED INVENTIONS

(a) The Contractor shall not file or cause to be filed on any invention or discovery conceived or first actually reduced to practice in the course of or under this contract in any country other than the United States, an application or registration for a patent without first obtaining written approval of the Contracting Officer.

(b) When filing a patent application in the United States on an invention or discovery conceived or first actually reduced to practice in the course of or under this contract the subject matter of which is classified for reasons of security, the Contractor shall observe all applicable security regulations covering the transmission of classified subject matter. When transmitting the patent application to the United States Patent and Trademark Office, the Contractor shall by separate letter identify by agency and number the contract or contracts which require security classification markings to be placed on the application.

(c) The substance of this clause shall be included in subcontracts which cover or are likely to cover classified subject matter.

§ 9–9.107 Patent rights under contracts for research, development and demonstration and under special contracts.

§ 9–9.107–1 General.

This section sets forth the policies, procedures, and practices of ERDA in connection with inventions, patents, and related matters based upon the Atomic Energy Act of 1954, as amended (42 USC 2182), and the Federal Nonnuclear Energy Research and Development Act of 1974 (42 USC 5908); and, to the extent not inconsistent with the foregoing statutes, the revised Presidential Memorandum and Statement of Government Patent Policy, August 23, 1971 (36 R.R. 16887–16892). Section 152 of the Atomic Energy Act provides that the title to inventions useful in the nuclear energy field made or conceived in the course of or under a contract, subcontract, or arrangement entered into for the benefit of the Commission (now ERDA) shall be vested in the Government. Government rights in such an invention may be waived consistent with the policy of Section 152. In a similar manner, Section 9 of the Federal Nonnuclear Energy Research and Development Act provides that title to inventions made or conceived in the course of or under ERDA contracts other than in the nuclear energy field shall vest in the Government and that all or part of the rights of the Government in such inventions may be waived if it is determined, in conformity with the provisions of Section 9, that the interests of the United States and the general public will best be served by such waiver.

§ 9–9.107–2 [Reserved]

§ 9–9.107–3 Policy.

(a) Whenever any invention is made or conceived in the course of or under any contract of ERDA, title to such invention shall vest in the United States unless the Administrator or his designee waives all or any part of the rights of the United States. While waivers are to be granted only in conformity with the specific minimum considerations and under the carefully delineated conditions set forth in § 9–9.109–6, it is recognized that waivers comprise a necessary part of the commercialization incentives available to ERDA. It is intended, therefore, that waivers will be provided in appropriate situations to encourage industrial participation and foster rapid commercial utilization in the overall best interest of the United States and the general public. With regard to any waivers granted under this Part 9–9, ERDA shall maintain a publicly available, periodically updated record of such waiver determinations.

(b) In contracts having as a purpose the conduct of research, development or demonstration work and in other special contracts, the Government shall normally acquire title in and to any invention or discovery conceived or first actually reduced to practice in the course of or under the contract, allowing the contractor to retain a nonexclusive, revocable, paid-up license in the invention and the right to file and retain title in any foreign country in which the Government does not elect to secure patent rights. The contractor's nonexclusive license retained in the invention may be revoked or modified by ERDA only to the extent necessary to achieve expeditious practical application of the invention pursuant to an application for and

the grant of an exclusive license in the invention.

(c) In contracts having as a purpose the conduct of research, development or demonstration work and in other special contracts the Government may have to acquire the right to require licensing of background patent rights by the contractor to insure reasonable public availability and accessibility necessary to practice the subject of the contract in the fields of technology specifically contemplated in the contract effort. The need for background patent rights and the particular rights that should be obtained for either the Government or the public will depend upon the type, purpose, and scope of the contract effort, and the cost to the Government of obtaining such rights. Accordingly, the background patent rights provision which will be appropriate for many contract situations is included in the Patent Rights clause.

(d) Nothing in this Part 9–9 shall be deemed to convey to any individual, corporation or other business organization immunity from civil or criminal liability, or to create defenses to actions under the antitrust laws.

§ 9–9.107–4 Procedures.

(a) *Selection of Patent Rights clause.*—(1) Whenever a contract, subcontract or other arrangement has as a purpose the conduct of research, development or demonstration work, the operation of a Government-owned research or production facility, the furnishing of architect-engineer, design or other special services, or the coordination and direction of the work of others, the contracting officer shall include in the proposed contract either the Patent Rights clause of § 9–9.107–5(a), or the clause of § 9–9.107–6. The clause set forth in § 9–9.107–6 may be used only in contracts calling for basic or applied research work with non-profit or educational institutions or in certain consultant contracts as set forth in paragraph (a)(5) of this section.

(2) The Patent Rights clauses of § 9–9.107–5(a) and § 9–9.107–6 provide that the Government shall acquire title to each invention made (i.e., conceived or first actually reduced to practice) in the course of or under the contract. However, the contractor shall retain in such invention a nonexclusive, revocable license, and subject to ERDA security requirements and regulations, may file and retain title in any foreign country in which the Government does not elect to secure patent rights. The contractor or the inventor may also retain greater rights than these after an invention has been identified and reported to ERDA if the Administrator or his designee determines that the interests of the United States and the general public will best be served by a waiver of such rights, utilizing the considerations set forth in § 9–9.109–6.

(3) The Patent Rights clauses shall normally include the provisions set forth in paragraph (l) of the clause in § 9–9.107–5(a) and paragraph (f) of the clause in § 9–9.107–6. If the contracting officer determines that the work to be performed under the contract would not be useful in the production or utilization of special nuclear material or atomic energy, paragraphs (l) or (f) may be omitted.

(4) The primary missions of ERDA may require that certain rights in the contractor's privately developed background patents be acquired for the Government's future production, research, development and demonstration projects. Similar rights may also be required to enable private parties to utilize a subject of the contract in the fields of technology specifically contemplated in the contract effort. To this end, subject to specified exceptions and negotiations, the Patent Rights clause in contracts over $250,000 shall normally include provisions obtaining rights of the type specified in § 9–9.107–5 to such background patents. It is recognized that the precise rights to be acquired will depend upon the facts of each situation and are a matter for determination by ERDA and for negotiation with the contractor. General guidelines for use by contracting officers and contract negotiators are provided in § 9–9.107–5(b).

(5) The short form Patent Rights clause in § 9–9.107–6 may be used in contracts calling for basic or applied research where the contractor is a nonprofit or educational institution, and in special situations such as consultant contracts. However, this clause will not be used in contracts calling for the operation of Government-owned facilities, contracts in which an advance waiver or greater rights has been granted, in certain consultant contracts as explained in § 9–9.107–6, or in other special contracts.

(6) Solicitations and proposed contracts shall provide offerors and prospective contractors with notice of and the right to request, in advance of or within 30 days after the effective date of contracting, a waiver of all or any part of the rights of the United States with respect to subject inventions. In no event will the fact that an offeror has requested such a waiver be a consideration in the evaluation of his offer or the determination of his acceptability. If an advance waiver is granted, the Patent Rights clause of § 9–9.107–5(a) shall be utilized and appropriately modified in accordance with the terms of such waiver. To provide adequate notice to prospective contractors or offerors, the following provision will be inserted in all solicitations which may result in contracts calling for research, development or demonstration:

> Offerors and prospective contractors in accordance with applicable statutes and ERDA Regulations (41 CFR 9–9.109–6) have the right to request in advance of or within 30 days after the effective date of contracting a waiver of all or any part of the rights of the United States in subject inventions.

(7) Under its Access Permit Program, ERDA may make Restricted Data applicable to civil uses of atomic energy available to persons requiring such data for use in their business, trade or profession. Under such programs, the special terms

and conditions of the type set forth in 10 CFR 725.23 (b) and (d) should be used instead of the provisions set forth in this Part.

(b) *License for the Government, States and domestic municipal governments.* When a waiver is granted or foreign rights are retained by either the contractor or the inventor, the Government shall retain for the United States, States, and domestic municipal governments at least a paid-up, nonexclusive, irrevocable license in all applicable inventions unless the Administrator or his designee determines that it would not be in the public interest to acquire such rights for the States and domestic municipal governments. Requests by contractors for such determinations, together with a justification therefor, shall be submitted to the contracting officer. The contracting officer shall refer such requests to the patent counsel assisting the procuring activity for forwarding the request, along with appropriate comments and recommendations, to the Assistant General Counsel for Patents to serve as a basis for a determination by the Administrator or his designee.

(c) *Right to sublicense foreign Governments.* The Patent Rights clause does not provide the Government with the right to grant sublicenses to a foreign government pursuant to any treaty or agreement in subject inventions to which the contractor has been granted greater or foreign rights. The Administrator or his designee may determine at the time of contracting that it would be in the national interest to acquire this right, or he may reserve the right to make this determination after the invention is identified. When such a determination is made or such right is reserved, the Patent Rights clause should be amended as set forth in § 9–9.107–5(d).

(d) *License rights (upon request) to the contractor.* Paragraph (c) of the Patent Rights (long form) clause of § 9–9.107–5(a) specifies the license rights retained by the contractor in inventions made in the course of or under the contract. In appropriate circumstances, such as in contracts for the operation of Government-owned facilities or special long term, cost reimbursement Government-funded research, development or demonstration work, this provision shall be modified to provide a revocable, nonexclusive, royalty-free license in inventions only upon request by the contractor for reservation of such license. In such situations, the paragraph set forth in § 9–9.107–5(e) shall be substituted for paragraph (c)(1) of the Patent Rights (long form) clause. However, in programs of the type discussed in § 9–9.107–4(a)(7), or in certain contracts or subcontracts involving access to Restricted Data, royalty free licenses shall not necessarily be granted with respect to inventions or discoveries resulting from the contractor's or subcontractor's access to Restricted Data.

(e) *License rights to contractor (irrevocable).* Paragraph (c)(1) of the Patent Rights (long form) clause specifies that the license rights retained by the contractor in such inventions are revocable. In special circumstances the license may be irrevocable, in which case the paragraph (c)(1) set forth in § 9–9.107–5(f) shall be substituted for paragraphs (c)(1), (c)(2) and (c)(3) of the Patents Rights (long form) clause. Since granting irrevocable licenses may interfere with ERDA's licensing program which is intended to promote the commercial utilization of inventions resulting from its research, development, or demonstration programs, contractors desiring irrevocable licenses shall submit a written request with a justification to the contracting officer. The contracting officer shall refer such requests to the patent counsel assisting the procuring activity for forwarding the request, along with appropriate comments and recommendations to the Assistant General Counsel for Patents to serve as a basis for approval by the Administrator or his designee.

(f) *Contractor sublicensing.* The right of a contractor having a license as set forth in paragraphs (d) and (e) of this section to grant a revocable license to one or more sublicensees may be considered appropriate by the Administrator or his designee in certain circumstances, such as, for example, where the contractor is cost sharing; where the contractor's control or involvement in the technology which is the subject of the contract is substantial; where the reservation of licensing rights in the contractor would best promote commercialization or utilization of the technology, or where substantial segments of the user population already have licenses or would otherwise be licensed. In such situations, the paragraph in § 9–9.107–5(g)(1) may be substituted for paragraph (c)(1) of § 9–9.107–5(a), or the paragraphs in § 9–9.107–5(g)(2) may be substituted for paragraphs (c)(1), (c)(2), and (c)(3) of § 9–9.107–5(a), as appropriate.

(g) *Facilities license.* Whenever a contract has as a purpose the design, construction or operation of a Government-owned research, development, demonstration, or production facility, it is necessary that the Government be accorded certain rights with respect to further use of the facility by or on behalf of the Government upon termination of the contract, including the right to make, use, transfer, or otherwise dispose of all articles, materials, products, or processes embodying inventions or discoveries used or embodied in the facility regardless of whether or not conceived or actually reduced to practice under or in the course of such a contract. Accordingly, the paragraph of § 9–9.107–5(h) shall be used in all such contracts in addition to the provisions of the "long form" Patent Rights clause.

(h) *Subcontracts.* (1) The policy expressed in § 9–9.107–3 is applicable to prime contracts and to subcontracts regardless of tier. The Patent Rights clause of § 9–9.107–5(a) or § 9–9.107–6 shall be included in all subcontracts having as a purpose the conduct of research, development, or demonstration

work. However, the Patent Rights clause contained in the prime contract is not to be deemed automatically appropriate for subcontracts. For example, it would not be appropriate to the extent that waivers have been granted the prime contractor at the time of contracting. A separate waiver, if any, must be obtained by subcontractors. Further, the withholding of payment provision of the prime contract will not normally be included in a subcontract except upon request of the contracting officer and except for subcontracts awarded by contractors who operate Government-owned facilities and for other special contracting situations in which cases the withholding of payment provision may be flowed down to the first tier subcontractor only. Whenever either the prime contractor or a proposed subcontractor considers the inclusion of the Patent Rights clause of § 9–9.107–5(a) or § 9–9.107–6 to be inappropriate, or the subcontractor refuses to accept such a clause in its subcontract, the matter shall be referred prior to award of the subcontract to the contracting officer for resolution in accordance with § 9–9.107–4(k). Upon such referral, the same considerations and procedures followed in selecting the appropriate Patent Rights clause included in the prime contract shall be used in selecting the subcontract clause.

(2) Contractors shall not use their ability to award subcontracts as economic leverage to acquire rights for themselves in the inventions resulting from subcontracts, and a waiver granted to a prime contractor is not normally applicable to inventions of subcontractors. However, in appropriate circumstances the prime contractor's waiver may be made applicable to the inventions of any or all subcontractors, such as, for example, where there are pre-existing special research and development arrangements between the prime contractor and subcontractor, or where the prime contractor and subcontractor are partners in a cooperative effort. In addition, in such circumstances the prime contractor may be permitted to acquire nonexclusive licenses in the subcontractor's inventions when a waiver for subcontractor inventions is not applicable.

(i) *Record of decisions.* Patent Counsel assisting the procuring activity shall record the basis for the following actions: (1) Waivers at the time of contracting; (2) Waivers granted on identified inventions; (3) Determinations that no license need be obtained for States or domestic municipal governments; (4) Determinations that the right to sublicense foreign governments should be obtained; and (5) The grant of irrevocable licenses.

(j) *Publication of invention disclosures.* The Patent Rights clauses specify that the Government may duplicate and disclose invention disclosures reported under the contract, although it is not ERDA's practice to publish invention disclosures. Since public disclosure before the filing of a U.S. patent application may create a bar to filing certain foreign applications, the clauses also require that patent approval for release or publication of information relating to the contract work be secured from patent counsel prior to any such release or publication. When the contractor has requested or obtained a waiver, or has advised of its interest in obtaining certain filing rights, provision is made for ERDA to use its best efforts to withhold release or publication of such information for a specified time period in accordance with paragraph (d)(1) of the clause in § 9–9.107–5(a) to permit the timely filing of a U.S. patent application by the contractor.

(k) *Negotiations and deviations.* Contracting officers shall contact the field patent counsel assisting their activity or the Assistant General Counsel for Patents, for assistance to the contracting officer in selecting, negotiating or approving appropriate patent, copyright, and data clauses. It should be noted that such clauses may be involved in and affected by the negotiations for a patent waiver. In the case of field activities, patent counsel will coordinate such review and assistance with the Chief Counsel in accordance with established local procedures. Any intended departures or deviations from the policy, procedures, or the clauses specified in this Part 9–9 which shall constitute a deviation from these regulations or from the Federal Procurement Regulations shall be referred by the Contracting Officer to the Assistant General Counsel for Patents for review and concurrence prior to obtaining approval in accordance with § 9–1.109–2. A deviation amounting to a class deviation to the FPR or the ERDA–PR shall be forwarded through the Assistant General Counsel for Patents to the Director of Procurement as provided in § 9–1.109–2(b).

§ 9–9.107–5 Clause for contracts (long form).

(a) *Patent rights clause.* When the contracting officer has determined that a contract falls within § 9–9.107–4(a)(1), except where the clause of § 9–9.107–6 is applicable, the following clause shall be included in the contract.

PATENT RIGHTS

(a) *Definitions.* (1) "Subject Invention" means any invention or discovery of the contractor 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 plants, whether patented or unpatented under the Patent Laws of the United States of America or any foreign country.

(2) "Contract" means any contract, grant, agreement, understanding, or other arrangement, which includes research, development, or demonstration work, and includes any assignment or substitution of parties.

(3) "States and domestic municipal governments" means the States of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, the Trust Territory of the Pacific Islands, and any political subdivision and agencies thereof.

(4) "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.

(5) "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.

(6) "Patent Counsel" means the ERDA Patent Counsel assisting the procuring activity.

(b) *Allocation of principal rights.*—(1) *Assignment to the Government.* The Contractor agrees to assign to the Government the entire right, title, and interest throughout the world in and to each Subject Invention, except to the extent that rights are retained by the Contractor under paragraphs (b)(2) and (c) of this clause.

(2) *Greater rights determinations.* The Contractor or the employee-inventor with authorization of the Contractor may request greater rights than the nonexclusive license and the foreign patent rights provided in paragraph (c) of this clause on identified inventions in accordance with 41 CFR 9-9.109-6. Such requests must be submitted to Patent Counsel (with notification by Patent Counsel to the Contracting Officer) at the time of the first disclosure pursuant to paragraph (e)(2) of this clause, or not later than 9 months after conception or first actual reduction to practice, whichever occurs first, or such longer period as may be authorized by Patent Counsel (with notification by Patent Counsel to the Contracting Officer) for good cause shown in writing by the Contractor.

(c) *Minimum rights to the contractor.*—(1) *Contractor license.* The Contractor reserves a revocable, nonexclusive, paid-up license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include 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. The license shall be transferable only with approval of ERDA except when transferred to the successor of that part of the Contractor's business to which the invention pertains.

(2) *Revocation limitations.* The Contractor's nonexclusive license retained pursuant to paragraph (c)(1) of this clause and sublicenses granted thereunder may be revoked or modified by ERDA, either in whole or in part, only to the extent necessary to achieve expeditious practical application of the Subject Invention under ERDA's published licensing regulations (10 CFR 781), and only to the extent an exclusive license is actually granted. This license shall not be revoked in that field of use and/or the geographical areas in which the Contractor, or its sublicensee, has brought the invention to the point of practical application and continues to make the benefits of the invention reasonably accessible to the public, or is expected to do so within a reasonable time.

(3) *Revocation procedures.* Before modification or revocation of the license or sublicense, pursuant to paragraph (c)(2) of this clause, ERDA shall furnish the Contractor a written notice of its intention to modify or revoke the license and any sublicense thereunder, and the Contractor shall be allowed 30 days, or such longer period as may be authorized by the Patent Counsel (with notification by Patent Counsel to the Contracting Officer) for good cause shown in writing by the Contractor, after such notice to show cause why the license or any sublicense should not be modified or revoked. The Contractor shall have the right to appeal, in accordance with 10 CFR 781, any decision concerning the modification or revocation of his license or any sublicense.

(4) *Foreign patent rights.* Upon written request to Patent Counsel (with notification by Patent Counsel to the Contracting Officer), in accordance with paragraph (e)(2)(i) of this clause, and subject to ERDA security regulations and requirements, there shall be reserved to the Contractor, or the employee-inventor with authorization of the Contractor, the patent rights to a Subject Invention in any foreign country where the Government has elected not to secure such rights provided:

(i) The recipient of such rights, when specifically requested by ERDA and three years after issuance of a foreign patent disclosing said Subject Invention, shall furnish ERDA a report setting forth:

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

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

(ii) The Government shall retain at least an irrevocable, nonexclusive, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government (including any Government agency) and States and domestic municipal governments, unless the Administrator or his designee determines that it would not be in the public interest to acquire the license for the States and domestic municipal governments.

(iii) Subject to the rights granted in (c)(1), (2) and (3) of this clause, the Administrator or his designee shall have the right to terminate the foreign patent rights granted in this paragraph (c)(4) in whole or in part unless the recipient of such rights demonstrates to the satisfaction of the Administrator or his designee that effective steps necessary to accomplish substantial utilization of the invention have been taken or within a reasonable time will be taken.

(iv) Subject to the rights granted in (c)(1), (2), and (3) of this clause, the Administrator or his designee shall have the right, commencing four years after foreign patent rights are accorded under this paragraph (c)(4), to require the granting of a nonexclusive or partially exclusive license to a responsible applicant or applicants, upon terms reasonable under the circumstances and in appropriate circumstances to terminate said foreign patent rights in whole or in part, following a hearing upon notice thereof to the public, upon a petition by an interested person justifying such hearing:

(A) If the Administrator or his designee determines, upon review of such material as he deems relevant, and after the recipient of such rights, or other interested person, has had the opportunity to provide such relevant and material information as the Administrator or his designee may require, that such foreign patent rights have tended substantially to lessen competition or to result in undue market concentration in any section of the United States in any line of commerce to which the technology relates; or

(B) Unless the recipient of such rights demonstrates to the satisfaction of the Administrator or his designee at such hearing that the recipient has taken effective steps, or within a reasonable time thereafter is expected to take such steps, necessary to accomplish substantial utilization of the invention.

(d) *Filing of patent applications.* (1) With respect to each Subject Invention in which the Contractor or the inventor requests foreign patent rights in accordance with para-

graph (c)(4) of this clause, a request may also be made for the right to file and prosecute the U.S. application on behalf of the U.S. Government. If such request is granted, the Contractor or inventor shall file a domestic patent application on the invention within 6 months after the request for foreign patent rights is granted, or such longer period of time as may be approved by the Patent Counsel for good cause shown in writing by the requester. With respect to the invention, the requester shall promptly notify the Patent Counsel (with notification by Patent Counsel to the Contracting Officer) of any decision not to file an application.

(2) For each Subject Invention on which a domestic patent application is filed by the Contractor or inventor, the Contractor or inventor shall:

(i) Within 2 months after the filing or within 2 months after submission of the invention disclosure if the patent application previously has been filed, deliver to the Patent Counsel a copy of the application as filed including the filing date and serial number;

(ii) Within 6 months after filing the application or within 6 months after submitting the invention disclosure if the application has been filed previously, deliver to the Patent Counsel a duly executed and approved Assignment to the Government, on a form specified by the Government;

(iii) Provide the Patent Counsel with the original patent grant promptly after a patent is issued on the application; and

(iv) Not less than 30 days before the expiration of the response period for any action required by the Patent and Trademark Office, notify the Patent Counsel of any decision not to continue prosecution of the application.

(3) With respect to each Subject Invention in which the Contractor or inventor has requested foreign patent rights, the Contractor or inventor shall file a patent application on the invention in each foreign country in which such request is granted in accordance with applicable statutes and regulations and within one of the following periods:

(i) Eight months from the date of filing a corresponding United States application, or if such an application is not filed, six months from the date the request was granted;

(ii) Six months from the date a license is granted by the Commissioner of Patents and Trademarks to file the foreign patent application where such filing has been prohibited by security reasons; or

(iii) Such longer periods as may be approved by the Patent Counsel for good cause shown in writing by the Contractor or inventor.

(4) Subject to the license specified in paragraphs (c) (1), (2) and (3) of this clause, the Contractor or inventor agrees to convey to the Government, upon request, the entire right, title, and interest in any foreign country in which the Contractor or inventor fails to have a patent application filed in accordance with paragraph (d)(3) of this clause, or decides not to continue prosecution or to pay any maintenance fees covering the invention. To avoid forfeiture of the patent application or patent the Contractor or inventor shall, not less than 60 days before the expiration period for any action required by any Patent Office, notify the Patent Counsel of such failure or decision, and deliver to the Patent Counsel the executed instruments necessary for the conveyance specified in this paragraph.

(e) *Invention identification, disclosures, and reports.* (1) The Contractor shall establish and maintain active and effective procedures to ensure that Subject Inventions are promptly identified and timely disclosed. These procedures shall include the maintenance of laboratory notebooks or equivalent records and any other records that are reasonably necessary to document the conception and/or the first actual reduction to practice of Subject Inventions, and records which show that the procedures for identifying and disclosing the inventions are followed. Upon requests, the Contractor shall furnish the Contracting Officer a description of these procedures so that he may evaluate and determine their effectiveness.

(2) The Contractor shall furnish the Patent Counsel (with notification by Patent Counsel to the Contracting Officer) on an ERDA-approved form:

(i) A written report containing full and complete technical information concerning each Subject Invention within 6 months after conception or first actual reduction to practice whichever occurs first in the course of or under this contract, but in any event prior to any on sale, public use or public disclosure of such invention known to the Contractor. The report shall identify the contract and inventor and shall be sufficiently complete in technical detail and appropriately illustrated by sketch or diagram 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. The report should also include any request for foreign patent rights under paragraph (c)(4) of this clause and any request to file a domestic patent application under (d)(1) of this clause. However, such requests shall be made within the period set forth in paragraph (b)(2) of this clause. When an invention is reported under this paragraph (e)(2)(i), it shall be presumed to have been made in the manner specified in Section 9(a) (1) and (2) of 42 U.S.C. 5908 unless the Contractor contends it was not so made in accordance with paragraph (g)(2)(ii) of this clause.

(ii) Upon request, but not more than annually, interim reports on an ERDA-approved form listing Subject Inventions and subcontracts awarded containing a Patent Rights clause for that period and certifying that:

(A) The Contractor's procedures for identifying and disclosing Subject Inventions as required by this paragraph (e) have been followed throughout the reporting period;

(B) All Subject Inventions have been disclosed or that there are no such inventions;

(C) All subcontracts containing a Patent Rights clause have been reported or that no such subcontracts have been awarded; and

(iii) A final report on an ERDA-approved form within three months after completion of the contract work listing all Subject Inventions and all subcontracts awarded containing a Patent Rights clause and certifying that:

(A) All Subject Inventions have been disclosed or that there were no such inventions; and

(B) All subcontracts containing a Patent Rights clause have been reported or that no such subcontracts have been awarded.

(3) The Contractor shall obtain patent agreements to effectuate the provisions of this clause from all persons in its employ who perform any part of the work under this contract except nontechnical personnel, such as clerical employees and manual laborers.

(4) The Contractor agrees that the Government may duplicate and disclose Subject Invention disclosures and all other reports and papers furnished or required to be furnished pursuant to this clause. If the Contractor is to file a foreign patent application on a Subject Invention, the Government agrees, upon written request, to use its best efforts to withhold publication of such invention disclosures until the expiration of the time period specified in paragraph (d)(1)

of this clause, but in no event shall the Government or its employees be liable for any publication thereof.

(f) *Publication.* It is recognized that during the course of the work under this contract, the Contractor or its employees may from time to time desire to release or publish information regarding scientific or technical developments conceived or first actually reduced to practice in the course of or under this contract. In order that public disclosure of such information will not adversely affect the patent interests of ERDA or the Contractor, patent approval for release or publication shall be secured from Patent Counsel prior to any such release or publication.

(g) *Forfeiture of rights in unreported Subject Inventions.* (1) The Contractor shall forfeit to the Government, at the request of the Administrator or his designee, all rights in any Subject Invention which the contractor fails to report to Patent Counsel (with notification by Patent Counsel to the Contracting Officer) within 6 months after the time the Contractor:

(i) Files or causes to be filed a United States or foreign patent application thereon; or

(ii) Submits the final report required by paragraph (e)(2)(iii) of this clause, whichever is later.

(2) However, the Contractor shall not forfeit rights in a Subject Invention if, within the time specified in (1)(i) or (1)(iii) of this paragraph (g), the Contractor:

(i) Prepared a written decision based upon a review of the record that the invention was either conceived nor first actually reduced to practice in the course of or under the contract and delivers the same to Patent Counsel (with notification by Patent Counsel to the Contracting Officer); or

(ii) Contending that the invention is not a Subject Invention the Contractor nevertheless discloses the invention and all facts pertinent to this contention to the Patent Counsel (with notification by Patent Counsel to the Contracting Officer); or

(iii) Establishes that the failure to disclose did not result from the Contractor's fault or negligence.

(3) Pending written assignment of the patent applications and patents on a Subject Invention determined by the Administrator or his designee to be forfeited (such determination to be a final decision under the Disputes Clause of this contract), 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 of this paragraph (g) shall be in addition to and shall not supersede other rights and remedies which the Government may have with respect to Subject Inventions.

(h) *Examination of records relating to inventions.* (1) The Contracting Officer or his authorized representative, until the expiration of 3 years after final payment under this contract, shall have the right to examine any books (including laboratory notebooks), records, documents, and other supporting data of the Contractor which the Contracting Officer or his authorized representative reasonably deem pertinent to the discovery or identification of Subject Inventions or to determine compliance with the requirements of this clause.

(2) The Contracting Officer or his authorized representative shall have the right to examine all books (including laboratory notebooks), records and documents of the Contractor relating to the conception of first actual reduction to practice of inventions in the same field of technology as the work under this contract to determine whether any such inventions are Subject Inventions, if the Contractor refuses or fails to:

(i) Establish the procedures of paragraph (e)(1) of this clause; or

(ii) Maintain and follow such procedures; or

(iii) Correct or eliminate any material deficiency in the procedures within thirty (30) days after the Contracting Officer notifies the Contractor of such a deficiency.

(i) *Withholding of payment (Not applicable to subcontracts).* (1) Any time before final payment of the amount of this contract, the Contracting Officer may, if he deems such action warranted, withhold payment until a reserve not exceeding $50,000 or 5 percent of the amount of this contract, whichever is less, shall have been set aside if in his opinion the Contractor fails to:

(i) Establish, maintain and follow effective procedures for identifying and disclosing Subject Inventions pursuant to paragraph (e)(1) of this clause; or

(ii) Disclose any Subject Invention pursuant to paragraph (e)(2)(i) of this clause; or

(iii) Deliver the interim reports pursuant to paragraph (e)(2)(ii) of this clause; or

(iv) Provide the information regarding subcontracts pursuant to paragraph (j)(5) of this clause; or

(v) Convey to the Government in an ERDA approved form the title and/or rights of the Government in each Subject Invention as required by this clause.

(2) The reserve or balance shall be withheld until the Contracting Officer has determined that the Contractor has rectified whatever deficiencies exist and has delivered all reports, disclosures, and other information required by this clause.

(3) Final payment under this contract shall not be made by the Contracting Officer before the Contractor delivers to Patent Counsel all disclosures of Subject Inventions and other information required by (e)(2)(i) of this clause, the final report required by (e)(2)(iii) of this clause, and Patent Counsel has issued a patent clearance certification to the Contracting Officer.

(4) The Contracting Officer may, in his discretion, decrease or increase the sums withheld up to the maximum authorized above. If the Contractor is a nonprofit organization, the maximum amount that may be withheld under this paragraph shall not exceed $50,000 or 1 percent of the amount of this contract, whichever is less. 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 withholding of any amount or subsequent payment thereof shall not be construed as a waiver of any rights accruing to the Government under this contract.

(j) *Subcontracts.* (1) For the purpose of this paragraph the term "Contractor" means the party awarding a subcontract and the term "Subcontractor" means the party being awarded a subcontract, regardless of tier.

(2) Unless otherwise authorized or directed by the Contracting Officer, the Contractor shall include the Patent Rights clause of 41 CFR 9-9.107-5(a) or 41 CFR 9-9.107-6 as appropriate, modified to identify the parties in any subcontract hereunder having as a purpose the conduct of research, development, or demonstration 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 ERDA's patent policies, the Contractor:

(i) Shall promptly submit written notice to the Contracting Officer setting forth reasons for the Subcontractor 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.

(3) Except as may be otherwise provided in this clause, the Contractor shall not, in any subcontract or by using a subcontract as consideration therefor, acquire any rights in its Subcontractor's Subject Invention for the Contractor's own use (as distinguished from such rights as may be required solely to fulfill the Contractor's contract obligations to the Government in the performance of this contract).

(4) All invention disclosures, reports, instruments, and other information required to be furnished by the Subcontractor to ERDA, under the provisions of a Patent Rights clause in any subcontract hereunder may, in the discretion of the Contracting Officer, be furnished to the Contractor for transmission to ERDA.

(5) The Contractor shall promptly notify the Contracting Officer in writing upon the award of any subcontract containing a Patent Rights clause by identifying the Subcontractor, the work to be performed under the subcontract, and the dates of award, and estimated completion. Upon the request of the Contracting Officer the Contractor shall furnish him a copy of the subcontract.

(6) The Contractor shall identify all Subject Inventions of the Subcontractor of which it acquires knowledge in the performance of this contract and shall notify the Patent Counsel (with notification by Patent Counsel to the Contracting Officer) promptly upon the identification of the inventions.

(7) 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 rights that the Contractor 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 regarding Subject Inventions.

(k) *Background Patents.* (1) "Background Patent" means a domestic patent covering an invention or discovery which is not a Subject Invention and which is owned or controlled by the Contractor at any time through the completion of this contract:

(i) Which the Contractor, but not the Government, has the right to license to others without obligation to pay royalties thereon, and

(ii) Infringement of which cannot reasonably be avoided upon the practice of any specific process, method, machine, manufacture or composition of matter (including relatively minor modifications thereof) which is a subject of the research, development, or demonstration work performed under this contract.

(2) The Contractor agrees to and does hereby grant to the Government a royalty-free, nonexclusive, license under any Background Patent for purposes of practicing a subject of this contract by or for the Government in research, development, and demonstration work only.

(3) The Contractor also agrees that upon written application by the ERDA, it will grant to responsible parties for purposes of practicing a subject of this contract, nonexclusive licenses under any Background Patent on terms that are reasonable under the circumstances. If, however, the Contractor believes that exclusive or partially exclusive rights are necessary to achieve expeditious commercial development or utilization, then a request may be made to ERDA for ERDA approval of such licensing by the Contractor.

(4) Notwithstanding the foregoing paragraph (k)(3), the Contractor shall not be obligated to license any Background Patent if the Contractor demonstrates to the satisfaction of the Administrator or his designee that:

(i) a competitive alternative to the subject matter covered by said Background Patent is commercially available or readily introducible from one or more other sources; or

(ii) the Contractor or its licensees are supplying the subject matter covered by said Background Patent in sufficient quantity and at reasonable prices to satisfy market needs, or have taken effective steps or within a reasonable time are expected to take effective steps to so supply the subject matter.

(l) *Atomic energy.* (1) No claim for pecuniary award or compensation under the provisions of the Atomic Energy Act of 1954, as amended, shall be asserted by the Contractor or its employees with respect to any invention or discovery made or conceived in the course of or under this contract.

(2) Except as otherwise authorized in writing by the Contracting Officer, the Contractor will obtain patent agreements to effectuate the provisions of paragraph (l)(1) of this clause from all persons who perform any part of the work under this contract, except nontechnical personnel, such as clerical employees and manual laborers.

(m) *Limitation of rights.* Nothing contained in this patent rights clause shall be deemed to give the Government any rights with respect to any invention other than a subject invention except as set forth in the Patent Rights clause of this contract with respect to Background Patents and the Facilities License.

(b) *Licenses in contractor Background Patents.* (1) It will normally be the case that a contractor qualified to perform work under an ERDA contract will have developed a degree of expertise in the general field of activity to which the contract relates. Accordingly, it will not be unusual for a prospective contractor to have an established patent position relating to the general fields of work to be performed under an ERDA contract and to have ongoing research and development programs in that general field which could result in patentable inventions. Since the contractor is obligated to apply its best efforts to accomplishing the objectives of the contract work, it is to be expected that inventions owned or controlled by the contractor at any time during the contract period may be utilized in connection with the work performed under the contract. If such inventions are or become the subject of a patent, such patented inventions may control a subject of the contract.

(2) It is usually the case that at the time an ERDA contract is negotiated, such inventions, if any, of the contractor are not known to the Government and may not be known to the contractor either. Use by the contractor of such inventions in connection with the contract work does not necessarily result in a need for rights in those inventions by the Government or others. However, failure of ERDA to obtain limited rights on behalf of the Government and/or third parties in a narrow class of those inventions, defined as "Background Patents", could frustrate the objectives of ERDA to promptly make the benefits of its programs widely available to the public and to promote the commercial utilization of the technology developed or demonstrated under ERDA programs. There-

fore, it is ERDA's policy to obtain limited license rights in Background Patents on a basis that is reasonable under the circumstances of the particular contract and takes into account the relative equities of the contractor, the Government and the general public.

(3) Paragraph (k) of the Patent Rights clause of § 9-9.107-5(a) sets out the background patent provisions that will be appropriate for many ERDA contracting situations by balancing the needs of ERDA programs with the equities of the contractor. This clause obtains a paid-up, nonexclusive license for the Government for research, development and demonstration work only and thus includes any use of the background patents under ERDA programs where research, development or demonstration work is being conducted. The clause also requires the contractor to license responsible parties on reasonable terms at the request of ERDA in the field of technology specifically contemplated in the contract effort. The background provisions, however, are only applicable insofar as infringement of the patents cannot reasonably be avoided in order to utilize the results of the contract work for these purposes. Additionally, the clause is not effective if the contractor can demonstrate to the satisfaction of the Administrator or his designee that commercial alternatives are available or readily introduceable from one or more sources, or that the contractor or its licensees are supplying the market in sufficient quantities and at reasonable prices or have taken effective steps or within a reasonable time are expected to take effective steps to so supply the market. In determining whether to request such licensing, ERDA will recognize the need, where appropriate, to limit licensing to preserve the commercialization incentives provided by the patent, and also to meet the needs of the public for early availability of the technology.

(4) Subparagraph (k)(1) defines those inventions which will fall within the definition of what constitutes a background patent, while subparagraphs (k)(2) and (k)(3) define the scope or field of use of any license granted. Although ERDA as stated in subparagraph (3) of this paragraph (b) controls the requesting of licenses to responsible parties, the final resolution of questions regarding the scope of such licenses, the terms thereof including reasonable royalties are then left to the negotiation of the parties with final resolution of the issues being made by a court of competent jurisdiction if necessary. In subparagraph (k)(4), the decision not to apply the licensing requirement of subparagraph (k)(3), however, is subject to the final decision of the Administrator or his designee. The final authority of ERDA in these decisions is required because the determinations are dependent in substantial part on the requirements of ERDA's specific mission.

(5) Balancing of the respective equities in particular contracting situations, however, may require that paragraph (k) be modified. Paragraph (k) should normally be deleted for contracts under $250,000 and may not be appropriate in certain types of study contracts, planning contracts, contracts with educational institutions, and contracts for specialized equipment for in-house use by ERDA or not intended for further procurement by the Government or for use by the public. Except for the deletion of paragraph (k) in contracts under $250,000 as permitted in this paragraph (5), deletions or modifications of paragraph (k) set forth in this section are to be made with the advice of patent counsel.

(6) On the other hand, there will be situations where the equities between the Government and the contractor, or anticipated Government needs, would require that rights be obtained for either the Government or for the public greater than those set forth in paragraph (k). For example, where (i) The contribution of the Government towards the development and/or commercialization of the Background Patent is substantially greater than that of the contractor, (ii) It is expected that the Government may be involved in special long-term projects, or (iii) The Government may require substantial production, procurement or utilization for purposes outside of research, development, and demonstration, it may be necessary to obtain greater rights. In such situations, consideration should be given to extending the Government's rights beyond research, development, and demonstration work, or to adjust royalties that may be due by the Government to reflect the Government's contribution. Such adjustment could take the form of credit to be given the Government based upon its contribution through the contract, or a royalty based upon the relative contributions of the contractor and the Government. Consideration could also be given to utilizing the relative contributions in determining reasonable royalties to be charged to others.

(7) Similarly, it may be necessary to obtain greater rights for the public in the contractor's background patents where, for example, the contractor's background patents cover the basic technology intended to be developed under the contract effort, rather than components or products or processes which are ancillary thereto. In such cases, subparagraph (4) of paragraph (k) should be deleted or modified as to the contract as a whole or a portion thereof. Deletion or modification of subparagraph (4) might also be appropriate where the future market for the subject of the contract will be very large and there are presently only a few suppliers available.

(8) It may also be appropriate to modify the rights acquired by paragraph (k) where the contractor's background patent rights were of primary importance in granting the contractor a waiver. For example, if the contractor was permitted to retain exclusive rights to Subject Inventions based upon the consideration that both foreground and background inventions would be licensed at reasonable royalties, then paragraph (k) should be

modified. The modification may be made applicable to the fields of technology, inventions, or other aspects of the contract. Concomitant with such modification, the licensing obligations for subject inventions should also be modified to be compatible therewith. In such cases, the definition of "Background Patent" should be broadened to include all patents useful in the practice of a subject of the contract, and subparagraph (k)(4) should be deleted or appropriately modified.

(9) The application of paragraph (k) is limited to the practice of any specific process, method, or machine, manufacture or composition of matter which is a subject of the research, development or demonstration work performed under the contract, otherwise referred to as "a subject of this contract" in subparagraphs (2) and (3). The expression "a subject of this contract" is intended to limit the licensing required in paragraph (k) to the fields of technology specifically contemplated in the contract effort. During negotiations, when the subject matter of the contract is known, a more specific statement of the fields of technology intended to be covered may be substituted for the expression "subject of this contract". For example, the application of paragraph (k) may be limited to the generation of electric power utilizing coal derived fuels, to high temperature gas cooled reactors, or other specified fields of technology of interest to ERDA programs.

(10) The considerations and statements in the foregoing subparagraphs (1)–(9) of this paragraph also apply to the negotiation, application and inclusion of background patent rights provisions in subcontracts.

(c) *License for the States and domestic municipal governments.* When the Administrator or his designee determines at the time of contracting that it would not be in the public interest to acquire a paid-up license in subject inventions for States and domestic municipal governments, paragraph (c)(4)(ii) of the Patent Rights clause in § 9–9.107–5(a) shall be replaced with the following paragraph (c)(4)(ii):

(ii) The Government shall retain at least an irrevocable, nonexclusive, 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).

(d) *Right to sublicense foreign governments.* (1) When the Administrator or his designee determines at the time of contracting that it would be in the national interest to acquire the right to sublicense foreign governments pursuant to any treaty or agreement, a sentence shall be added to the end of paragraph (c)(4)(ii) of the Patent Rights clause in § 9–9.107–5(a) as follows:

This license shall include the right of the Government to sublicense foreign governments pursuant to any treaty or agreement with such foreign governments.

(2) When the Administrator or his designee wishes to reserve the right to make the determination to sublicense foreign governments pursuant to any treaty or agreement until after the invention has been identified, a sentence shall be added to the end of paragraph (c)(4)(ii) of the Patent Rights clause in § 9–9.107–5(a) as follows:

This license shall include the right of the Government to sublicense foreign governments pursuant to any treaty or agreement with such foreign governments if the Administrator or his designee determines after the invention has been identified that it would be in the national interest to acquire this right.

(e) *License rights (upon request) to contractor (revocable).* When the Administrator or his designee determines that the contractor may, subject to the provisions of § 9–9.107–4(a)(7) involving access to Restricted Data, reserve a revocable, nonexclusive, paid-up license in Subject Inventions, only upon a request by the contractor for the retention of such a license, paragraph (c)(1) of the clause in § 9–9.107–5(a) shall be replaced with the following paragraph (c)(1):

(c)(1) The Contractor may reserve upon request a revocable, nonexclusive, paid-up license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires the title. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include 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. The license shall be transferable only with approval of ERDA except when transferred to the successor of that part of the Contractor's business to which the invention pertains.

(f) *License rights to contractor (irrevocable).* When the Administrator or his designee determines that the contractor may reserve an irrevocable, nonexclusive, paid-up license in the inventions resulting from the contract, paragraph (c)(1) of the Patent Rights clause of § 9–9.107–5(a) shall be replaced with the following paragraph (c)(1), and paragraphs (c)(2) and (c)(3) of § 9–9.107–5(a) and references thereto shall be cancelled:

(c)(1) The Contractor reserves an irrevocable, nonexclusive, paid-up license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. The License shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include 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. The license shall be transferable only with approval of ERDA except when transferred to the successor of that part of the Contractor's business to which the invention pertains.

(g) *Contractor sublicenses (revocable).* (1) When the Administrator or his designee determines at the time of contracting that, as indicated in § 9–9.107–4(f), it would be in the interests of the Government to permit a contractor having the right to retain a revocable

nonexclusive license in a subject invention to have the further right to grant to one or more sublicensees a revocable license of the same scope, the following paragraph may be substituted for paragraph (c)(1) of the Patent Rights clause in § 9–9.107–5(a):

(c)(1) The Contractor reserves a revocable, nonexclusive, paid-up license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include the right to grant revocable, nonexclusive sublicenses of the same scope. The license shall be transferable only with approval of ERDA except when transferred to the successor of that part of the Contractor's business to which the invention pertains.

(2) Where the Contractor has been granted the right to retain a nonexclusive, irrevocable license in a subject invention, and it is determined as in (g)(1) of this section to leave in the contractor the right to grant one or more revocable sublicenses thereunder, the following three paragraphs will be substituted for paragraphs (c)(1), (c)(2), and (c)(8) of the Patent Rights clause in § 9–9.107–5(a):

(c)(1) *Contractor license.* The Contractor reserves an irrevocable, nonexclusive, paid-up license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. The license shall extend to the Contractor's domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and shall include the right to grant revocable, nonexclusive sublicenses which are revocable under the same terms and conditions as set forth in paragraphs (c) (2) and (3) of this clause. The license shall be transferable only with approval of ERDA except when transferred to the successor of that part of the Contractor's business to which the invention pertains.

(c)(2) *Revocation limitations.* Any sublicense granted by the Contractor may be revoked or modified by ERDA, either in whole or in part, only to the extent necessary to achieve expeditious practical application of the Subject Invention under ERDA's published licensing regulations (10 CFR 781), and only to the extent an exclusive license is actually granted. This sublicense shall not be revoked in that field of use and/or the geographical areas in which the Contractor, or its sublicensee, has brought the invention to the point of practical application and continues to make the benefits of the invention reasonably accessible to the public, or is expected to do so within a reasonable time.

(c)(3) *Revocation procedures.* Before modification or revocation of any sublicense pursuant to paragraph (c)(2) of this clause, ERDA shall furnish the Contractor and the sublicensee written notice of its intention to modify or revoke the sublicense, and the Contractor and the sublicensee shall be allowed 30 days, or such longer period as may be allowed by the Patent Counsel (with notification by Patent Counsel to the Contracting Officer) for good cause shown in writing by the Contractor or the sublicensee, after such notice to show cause why the sublicense should not be modified or revoked. The Contractor or the sublicensee shall have the right to appeal in accordance with 10 CFR 781, any decision concerning the modification or revocation of the sublicense.

(h) *Facilities license.* The following paragraph will be included as paragraph (n) of the Patent Rights (long form) clause in each contract having as a purpose the design, construction, or operation of a Government-owned research, development, demonstration or production facility. The scope of the license in the following paragraph may, in appropriate situations, be expanded to cover similar facilities.

(n) *Facilities license.* In addition to the rights of the parties with respect to inventions or discoveries conceived or first actually reduced to practice in the course of or under this contract, the Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive paid-up license in and to any inventions or discoveries regardless of when conceived or actually reduced to practice or acquired by the Contractor, which are owned or controlled by the Contractor at any time through completion of this contract and which are incorporated or embodied in the construction of the facility or which are utilized in the operation of the facility or which cover articles, materials, or products manufactured at the facility (1) to practice or to have practiced by or for the Government at the facility, and (2) to transfer such license with the transfer of that facility. The acceptance or exercise by the Government of the aforesaid rights and license shall not prevent the Government at any time from contesting the enforceability, validity or scope of, or title to, any rights or patents herein licensed.

§ 9–9.107–6 Clause for contracts (short form).

The following clause may be used instead of the clause of § 9–9.107–5(a) in contracts for basic or applied research where the contractor is a nonprofit or educational institution and in special situations including consultant contracts. This clause shall not be used in long term consultancy arrangements for work in ERDA programs covered by ERDA Manual Chapter 7604. In such instances the clauses in ERDAM 7604 shall be used. Also this clause is not to be used in contracts calling for the operation of Government-owned facilities, or contracts in which an advance waiver has been granted, or other special contracts such as those for the conduct of major long-term continuing programs or basic agreements providing for the assignments of new tasks from time to time by mutual agreement.

PATENT RIGHTS (SHORT FORM)

(a) *Definitions.* (1) "Subject Invention" means any invention or discovery of the Contractor 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 plants, whether patented or unpatented, under the Patent Laws of the United States of America or any foreign country.

(2) "Patent Counsel" means the ERDA Patent Counsel assisting the procuring activity.

(b) *Invention disclosures and reports.* (1) The Contractor shall furnish the Patent Counsel (with notification by Patent Counsel to the Contracting Officer):

(i) A written report containing full and complete technical information concerning each Subject Invention within 6 months

after conception or first actual reduction to practice whichever occurs first in the course of or under this contract, but in any event prior to any on sale, public use, or public disclosure of such invention known to the Contractor. The report shall identify the contract and inventor and shall be sufficiently complete in technical detail and appropriately illustrated by sketch or diagram 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;

(ii) Upon request, but not more than annually, interim reports on an ERDA-approved form listing Subject Inventions for that period and certifying that all Subject Inventions have been disclosed or that there were no such inventions; and

(iii) A final report on an ERDA-approved form within 3 months after completion of the contract work listing all Subject Inventions and certifying that all Subject Inventions have been disclosed or that there were no such inventions.

(2) The Contractor agrees that the Government may duplicate and disclose Subject Invention disclosures and all other reports and papers furnished or required to be furnished pursuant to the contract.

(c) *Allocation of principal rights.*—(1) *Assignment to the Government.*

The Contractor agrees to assign to the Government the entire right, title, and interest throughout the world in and to each Subject Invention, except to the extent that rights are retained by the Contractor under paragraphs (c)(2) and (d) of this clause.

(2) *Greater rights determinations.* The Contractor, or the employee-inventor with authorization of the Contractor, may request greater rights than the nonexclusive license and the foreign patent rights provided in paragraph (d) of this clause on identified inventions in accordance with the procedure and criteria of 41 CFR 9–9.109–6. A request for a determination of whether the Contractor or the employee-inventor is entitled to retain such greater rights must be submitted to the Patent Counsel (with notification by Patent Counsel to the Contracting Officer) at the time of the first disclosure of the invention pursuant to paragraph (b)(1) of this clause or not later than 9 months after conception or first actual reduction to practice, whichever occurs first, or such longer period as may be authorized by the Patent Counsel (with notification by Patent Counsel to the Contracting Officer) for good cause shown in writing by the Contractor. The information to be submitted for a greater rights determination is specified in 41 CFR 9–9.109–6(e).

(d) *Minimum rights to the contractor.* The Contractor reserves a revocable, nonexclusive, paid-up license in each patent application filed in any country on a Subject Invention and any resulting patent in which the Government acquires title. Revocation shall be in accordance with the procedure of paragraphs (c) (2) and (3) of the clause in 41 CFR 9–9.107–5(a). The Contractor also has the right to request foreign rights in accordance with the procedures of paragraph (c)(4) of the clause in 41 CFR 9–9.107–5(a).

(e) *Employee and subcontractor agreements.* Unless otherwise authorized in writing by the Contracting Officer, the Contractor shall:

(1) Obtain patent agreements to effectuate the provisions of the Patent Rights clause from all persons who perform any part of the work under this contract except nontechnical personnel, such as clerical employees and manual laborers.

(2) Unless otherwise authorized or directed by the Contracting Officer, the Contractor shall include the Patent Rights clause of 41 CFR 9–9.107–5(a) or 41 CFR 9–9.107–6, as appropriate, modified to identify the parties in any subcontract hereunder having as a purpose the conduct of research, development or demonstration work; and

(3) Promptly notify the Contracting Officer in writing upon the award of any subcontract containing a Patent Rights clause by identifying the subcontractor, the work to be performed under the subcontract, and the dates of award and estimated completion. Upon the request of the Contracting Officer the Contractor shall furnish a copy of the subcontract to such requester.

(f) *Atomic energy.* (1) No claim for pecuniary award or compensation under the provisions of the Atomic Energy Act of 1954, as amended, shall be asserted by the Contractor or its employees with respect to any invention or discovery made or conceived in the course of or under this contract.

(2) Except as otherwise authorized in writing by the Contracting Officer, the Contractor will obtain patent agreements to effectuate the provisions of paragraph (f)(1) of this clause from all persons who perform any part of the work under this contract, except nontechnical personnel such as clerical employees and manual laborers.

(g) *Publication.* In order that information concerning scientific or technical developments conceived or first actually reduced to practice in the course of or under the contract is not prematurely published so as to adversely affect patent interest of ERDA, the Contractor agrees to submit to the Patent Counsel for patent review a copy of each paper 60 days prior to its intended publication date. The Contractor may publish such information after expiration of a 60-day period following such submission or prior thereto if specifically approved by Patent Counsel, unless the Contractor is informed that in order to protect patentable subject matter, publication must be further delayed.

§ 9–9.107–7 Foreign contracts.

The clauses authorized for contracts in § 9–9.107–5(a) and § 9–9.107–6 may be modified by the contracting officer in consultation with patent counsel to meet the requirements peculiar to foreign procurement.

§ 9–9.108 [Reserved]

§ 9–9.109 Administration of patent clauses.

§ 9–9.109–1 Patent Rights follow-up.

It is important that the Government and the contractor know and exercise their rights in inventions conceived or first actually reduced to practice in the course of or under Government contracts in order to ensure their expeditious availability to the public, to enable the Government, the contractor, and the public to avoid unnecessary payment of royalties and to defend themselves against claims and suits for patent infringement. To attain these ends, contracts having Patent Rights clauses should be so administered that:

(a) Inventions are identified, disclosed, and reported as required by the contract clauses;

(b) The rights of the Government in such inventions are established;

(c) When appropriate, patent applications are timely filed and prosecuted by the contractor, the inventor, or by the Government as appropriate;

(d) The filing of patent applications is documented by formal instruments such as licenses or assignments; and

(e) Expeditious commercial utilization of such inventions is achieved.

§ 9–9.109–2 Follow-up by contractor.

(a) The Patent Rights clause requires contractors to establish and maintain effective procedures to ensure that inventions made under the contract are identified, disclosed, and when appropriate, patent applications filed, and that the Government's rights therein are established and protected. When it is determined after the award of a contract that the contractor or subcontractor may not have a clear understanding of the rights and obligations of the parties under a Patent Rights clause, a post-award orientation conference or letter should be used by ERDA to explain these rights and obligations. When reviewing a contractor's procedures, particular attention shall be given to ascertaining their effectiveness for identifying and disclosing inventions.

(b) A qualified representative of the contractor shall furnish to the patent counsel (with notification by patent counsel to the contracting officer) interim reports upon request, and, upon completion of the contract work, a final report setting forth:

(1) A list of all subject inventions made during the reporting period;

(2) A certification that all subject inventions have been disclosed or that there were no such inventions, and that the contractor's procedures for identifying and disclosing inventions have been followed throughout the period;

(3) A list of all subcontracts entered into during the reporting period which contain a Patent Rights clause, together with copies of such subcontracts (if not earlier furnished to ERDA), or a statement that there were no such subcontracts.

(c) Ordinarily, inventions and discoveries will be reported on Form ERDA 213 (copies of which shall be made available by patent counsel) or on such other form that has been approved by patent counsel. Reporting of inventions promptly and before the completion of the work under the respective contracts will aid patent clearance. Submission of annual interim reports, where contracts cover an extended period, will also facilitate the disposition of patent matters and expedite the issuance of final patent clearance.

§ 9–9.109–3 Follow-up by Government.

(a) With respect to each contract, subcontract, or other agreement under their jurisdictions, the heads of procuring activities are responsible:

(1) For assuring compliance with the provisions of this Part 9–9 in executing or approving any contracts, subcontracts, other agreements, understandings, or other arrangements, or any supplements thereto. The patent counsel assisting their activity should be consulted to ensure that only authorized departure is made from the requirements set forth in these regulations and that all substantive and procedural rights required by section 152 of the Atomic Energy Act of 1954, as amended, or section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974, are obtained;

(2) For transmitting the information requested on the Patent Information Sheet, Form ERDA 242, to the Assistant General Counsel for Patents;

(3) For reviewing, in consultation with the contractor, subcontractor, or vendor, arrangements for obtaining adequate patent agreements from employees and others performing work under any contract, subcontract, or other agreements containing patent provisions in favor of the Government. (The form of such patent agreement actually in use or proposed for use shall be forwarded for approval to the patent counsel assisting the procuring activity.);

(4) For forwarding a notice of completion or termination of the work and a request for patent clearance to the Assistant General Counsel for Patents for each contract, subcontract, or other agreement containing patent provisions giving rise to rights in the Government; and

(5) For withholding payments due to contractors in accordance with paragraph (i) of the Patent Rights clause of § 9–9.107–5(a) until, in the case of interim reports, a determination has been made in consultation with patent counsel that existing deficiencies have been corrected or that delivery of all reports, disclosures, and other information have been made, or, in the case of final reports, receipt of written patent clearance certification from the Assistant General Counsel for Patents.

(b) The Assistant General Counsel for Patents, upon receipt of the Patent Information Sheet, Form ERDA 242, will assign the patent responsibility and notify the person who transmits the Information Sheet of the patent counsel assigned to conduct the patent surveillance of the reported contract, subcontract, or other agreement. Upon receipt of the notice of completion or termination as provided in paragraph (a)(4) of this section, a notice of patent clearance will be issued by the Assistant General Counsel for Patents when there has been to his best knowledge and belief compliance with the patent provisions.

(c) The patent counsel assigned to assist the procuring activity will assist contracting officers in selecting and negotiating patent provisions, and in the case of field activities, will coordinate such assistance with the Chief Counsel in accordance with established local procedures. Patent counsel will generally submit Patent Information sheets and otherwise assist heads of procuring activities, contractors, contracting officers, subcontractors and vendors in: Reporting of inventions and discoveries; reviewing and providing patent clearance prior to publication or release of reports and proposed technical articles and prior to public release or disclosure of information regarding scientific and technical developments made in the course of or under the contract; handling claims for

patent and copyright infringement; the preparation of certificates to initiate patent clearance; and the handling of other patent matters.

(d) *Patent application filing and determination of rights to inventions and discoveries.* The Assistant General Counsel for Patents or his designee shall:

(1) Make the determination specified in Section 9, (a) (1) and (2) of 42 U.S.C. 5908 concerning inventors;

(2) Determine whether and where patent protection will be obtained on inventions;

(3) Represent ERDA before domestic and foreign patent offices;

(4) Accept assignments and instruments confirmatory of the Government's rights to inventions; and

(5) Represent ERDA in patent matters not specifically reserved to the Administrator or his designee under these Regulations.

§ 9–9.109–4 Remedies

If a contractor operating under a Patent Rights clause fails to establish, maintain, or follow effective procedures for identifying and disclosing inventions as required by the Patent Rights clause or fails to correct any deficiency after notice thereof, the contracting officer may require the contractor to make available for examination books, records, and documents relating to inventions in the same field of technology as the contract to enable an agency determination of whether there are such inventions, and may invoke the withholding of payments provision. Further, the contracting officer may invoke the withholding of payments provision if a contractor fails to disclose an invention deemed by ERDA to be a subject invention.

§ 9–9.109–5 Conveyance of invention rights acquired by the Government.

Whenever the Government acquires the entire right, title, and interest in an invention pursuant to a contract or by operation of law, assignments shall be obtained from the inventor to the Government with the consent of the contractor, to perfect or confirm the Government's rights. The form of conveyance of title from the inventor to the contractor must be legally sufficient to convey the rights the contractor is required to convey to the Government.

§ 9–9.109–6 Waivers.

(a) *General.* The Administrator or his designee may waive all or any part of the rights of the United States (other than certain rights prescribed in paragraph (i) of this section) with respect to any invention or class of inventions made or which may be made by any person or class of persons in the course of or under any contract of ERDA, if it is determined that the interests of the United States and the general public as set forth in the Atomic Energy Act of 1954, as amended (42 U.S.C. 2182), and the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908), will best be served by such waivers. In making such determinations, the Administrator or his designee shall have the following objectives:

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

(2) Promoting the commercial utilization of such inventions;

(3) Encouraging participation by private persons in ERDA's energy research, development, and demonstration program; and

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

If it is not possible to attain each of these objectives immediately and simultaneously for any one waiver determination, the Administrator or his designee will seek to reconcile these objectives in light of the overall purposes of the patent policy sections of the Atomic Energy Act of 1954, as amended, and of the Federal Nonnuclear Energy Research and Development Act of 1974. Over time, however, the application of this waiver policy is expected to attain each of these objectives. In addition to the patent policies provided by legislation, and where not inconsistent therewith, the waiver determinations will also be guided by the revised Presidential Memorandum and Statement of Government Patent Policy issued August 23, 1971 (36 FR 16887–16892).

(b) *Advance waiver.* In determining whether a waiver to the contractor at the time of contracting will best serve the interests of the United States and the general public, the Administrator or his designee shall, as a minimum, specifically include as considerations the following:

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

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

(3) The extent to which the work to be performed under the contract is useful in the production or utilization of special nuclear material or atomic energy;

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

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

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

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

(8) The extent to which the field of technology to be funded under the con-

tract has been developed at the contractor's private expense;

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

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

(11) The likely effect of the waiver on competition and market concentration;

(12) In the case of a nonprofit educational institution, the extent to which such institution has a technology transfer capability and program approved by the Administrator or his designee as being consistent with the applicable policies of this section; and

(13) The small business status of the contractor.

(c) *Waiver of identified inventions.* In determining whether a waiver to the contractor or inventor of rights to an identified invention will best serve the interests of the United States and the general public, the Administrator or his designee shall, as a minimum, specifically include as considerations the following:

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

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

(3) The extent to which the invention is useful in the production or utilization of special nuclear material or atomic energy;

(4) The extent to which the Government has contributed to the field of technology of the invention;

(5) The purpose and nature of the invention, including the anticipated use thereof;

(6) The extent to which the contractor has made or will make substantial investment of financial resources or technology developed at the contractor's private expense which will directly benefit the commercialization of the invention;

(7) The extent to which the field of technology of the invention has been developed at the contractor's expense;

(8) The extent to which Government intends to further develop the invention to the point of commercial utilization;

(9) The extent to which the invention is concerned with the public health, public safety, or public welfare;

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

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

(12) The small business status of the contractor.

(d) *Procedures.* (1) All waiver determinations shall be initiated by a written request. Such requests may be submitted by existing or potential contractors in the case of requests for an advance waiver and by contractors or employee-inventors in the case of requests for waiver for identified inventions. A request for an advance waiver may also be made for an identified invention which has already been conceived and which reasonably may be first actually reduced to practice in the course of or under an ERDA contract. Such waiver requests must include a copy of the patent or patent application covering the identified invention.

(2) A request for an advance waiver shall be submitted to the contracting officer or to contractors for their subcontractors at anytime prior to execution of the contract or within thirty (30) days thereafter, but should normally be submitted as part of the contract proposal. Advance waivers may also be requested where the purpose or scope of work of an existing contract is to be substantially altered. When advance waivers are granted, the rights set forth in paragraphs (b), (c) and (d) of the clause of § 9-9.107-5(a) should be modified to conform to the waiver granted.

(3) A request for waiver (other than advance waivers) for an identified invention shall be submitted to the patent counsel (with notification by patent counsel to the contracting officer) at the time the invention is reported to ERDA, or not later than nine (9) months after conception or first actual reduction to practice, whichever occurs first, or such longer period as may be authorized by the patent counsel (with notification by patent counsel to the contracting officer) for good cause shown in writing by the contractor or inventor.

(4) All requests for waiver received by ERDA or its contractors will be forwarded promptly to the patent counsel assisting the procuring activity, together with any reference or supporting documents provided by the requestor and any documents or comments provided by the staff of the activity. If the request for waiver appears to contain insufficient information, the patent counsel may seek additional information from the requestor to supplement the request and may also seek additional information from other sources. The patent counsel will thoroughly analyze the request in view of each of the objectives and considerations set forth in this § 9-9.109-6 and shall also consider the overall rights obtained by the Government in the patent, copyright, and data clauses of the contract. Where it appears that a lesser part of the rights of the United States than requested would be more appropriate in view of the policies set forth in this § 9-9.109-6, the patent counsel should attempt to negotiate a compromise acceptable to both the requestor and ERDA.

(5) The patent counsel will prepare and recommend a Statement of Considerations setting forth the rationale for either accepting or rejecting the waiver request. While the Statement need not make specific findings as to each and every consideration of paragraph (b) or (c) of this section, it will cover those

that raise significant issues and those that are decisive, and it will explain the basis for the recommended determination. There may be occasions when the application of the various considerations in (b) or (c) of this section to a particular case could cause conflicting results, and in those instances the differences will be reconciled giving due regard to the overall policies set forth in this § 9–9.109–6. Field patent counsel will coordinate actions on advance waivers with the Chief Counsel of the field office concerned as required by local procedures.

(6) The Statement shall be forwarded to the Assistant General Counsel for Patents to serve as a recommended basis for the waiver determination. The Assistant General Counsel for Patents will also obtain comments from the appropriate ERDA program division to assist the Administrator or his designee in the waiver determination. In situations where time does not permit a delay in contract negotiations for the preparation and mailing of a full written Statement, field patent counsel may submit a recommendation on the waiver verbally to the Assistant General Counsel for Patents and request a verbal determination from the Administrator or his designee. Such action shall be promptly confirmed in writing.

(7) In making waiver determinations, the Administrator or his designee shall objectively review all requests for waiver in view of the objectives and considerations set forth in this § 9–9.109–6. If this determination and the rationale therefor is not accurately reflected in the recommended Statement of Considerations, a new Statement shall be prepared.

(8) Where the request for advance waiver has not been approved prior to the effective date of the contract and the terms and conditions of the waiver have thus not been made a part of the contract, the contracting officer shall promptly notify the requestor by letter of the determination of the Administrator or his designee, and the basis therefor. If the advance waiver is approved, the letter shall state the scope, terms, and conditions of such waiver. Where the terms and conditions of an approved advance waiver have not been made a part of the contract, the letter shall inform the requestor that the advance waiver shall be effective (i) As of the effective date of the contract for an advance waiver of inventions identified, i.e., conceived prior to the effective date of the contract, or (ii) As of the date the invention is reported with an election by the contractor to retain rights therein, i.e., for an invention conceived or first actually reduced to practice after the effective date of the contract; provided a copy of the letter is signed and returned to the contracting officer by the requestor acknowledging the acceptance of the scope, terms, and conditions of the advance waiver. After the acceptance by the contractor of an advance waiver, the contracting officer shall cause a unilateral no-cost modification to be made to the contract incorporating the terms and conditions of the waiver in lieu of previous patent provisions. Whenever a requested determination has been denied, the requestor may, within thirty (30) days, request reconsideration. Such a request shall include any additional facts and rationale not previously submitted which support the request. Requests for reconsideration shall be submitted and processed in accordance with the procedures set forth in paragraph (d) of this section.

(e) *Content of waiver requests.* (1) All requests for waiver shall include the following information:

(i) The requestor's identification, business address, and, if represented by counsel, the counsel's name and address;

(ii) An identification of the pertinent contract or proposed contract and a copy of the contract statement of work or a non-proprietary statement which fully describes the proposed work to be performed;

(iii) The nature and extent of waiver requested;

(iv) A full and detailed statement of facts, to the extent known by or available to the requestor, directed to each of the considerations set forth in paragraph (b) or (c) of this section, as applicable, and a statement applying such facts and considerations to the policies set forth in paragraph (a) of this section. It is important that this submission be tailored to the unique aspects of each request for waiver, and be as complete as feasible; and

(v) The signature of the requestor or his authorized representative with the following statement:

> The facts set forth in this request for waiver are within the knowledge of the requestor and are submitted with the intention that the Administrator or his designee rely on them in reaching the waiver determination.

(2) Requests for waiver for identified inventions shall, in addition to items (1) (i)–(v) above, include:

(i) The full names of all inventors;

(ii) A statement of whether a patent application has been filed on the invention, together with a copy of such application if filed, or, if not filed, a complete description of the invention;

(iii) If a patent application has not been filed, any information which may indicate a potential statutory bar to the patenting of the invention under 35 U.S.C. 102 or a statement that no such bar is known to exist; and

(iv) Where the requestor is the inventor, written authorization from the applicable contractor or subcontractor permitting the inventor to request a waiver.

(3) Subject to ERDA regulations, requirements, and restrictions on the treatment of proprietary and classified information, all material submitted in requests for waiver or in support thereof will be made available to the public after a determination on the waiver request has been made, regardless of whether a waiver is granted. Accordingly, requests for waiver should not contain information or data that the requestor is not willing to have made public. If proprietary or classified in-

formation is needed to make the waiver determination, such information shall not be submitted unless specifically requested by the patent counsel:

(f) *Record of waiver determinations.* The Assistant General Counsel for Patents shall maintain and periodically update a publicly available record of waiver determinations.

(g) *Waiver situations and types of waivers.* (1) The various factual situations which are appropriate for waivers cannot be categorized precisely inasmuch as the appropriateness of a waiver will depend upon the manner in which the considerations set forth in paragraph (b) or paragraph (c) of this section relate to the facts and circumstances surrounding the particular contracting situation or the particular invention in order to best achieve the objectives set forth in paragraph (a) of this section. However, some examples where waivers might be appropriate are the following:

(i) Cost sharing contracts;

(ii) Situations in which ERDA is providing increased funding to a specific ongoing privately sponsored research development, or demonstration project;

(iii) Situations involving the private use of Government facilities and the contractor is funding all or a part of such costs;

(iv) Situations in which the equities of the contractor are so substantial in relation of that of the Government that the waiver is necessary to obtain the participation of the contractor; and

(v) Situations involving contracts with small businesses concerning their privately developed technology.

(2) As stated in paragraph (a) of this section, waivers may be granted as to all or any part of the rights of the United States to an invention except for certain rights set forth in paragraph (i) in this section. Accordingly, the waiver of all patent rights that are inherent to an invention, rather than part of the rights, will not necessarily be appropriate. The scope of the waiver will depend upon the relationship of the contractual situation or identified invention to the considerations set forth in paragraph (b) or (c) in order to best achieve the objectives set forth in paragraph (a) of this section. For example, waivers may be restricted to a particular field of use in which the contractor has substantial equities or a commercial position, or restricted to those uses that are not the primary object of the contract effort. Waivers may also be limited to particular geographical locations, may be made effective only for a specified duration of time, or may require the contractor to license others at reduced royalties in consideration of the Government's contribution to the research, development, or demonstration effort.

(3) In advance waivers of identified inventions, the invention will be deemed to be a subject invention and the waiver will be considered as being effective as of the effective date of the contract. This will be true regardless of whether the identified invention had been first actually reduced to practice prior to the time of contracting or would be reduced to practice under the contract. A purpose of such waivers is to clarify and definitize the rights of the parties to such inventions when the facts surrounding the first actual reduction to practice prior to or during the contract are or will be difficult to establish.

(h) *Waivers to educational institutions.* (1) Except to the extent that a nonprofit educational institution may be engaged as a contractor operating a Government-owned facility or undertaking other special contracts, the following considerations apply to the granting of advance and identified waivers to educational institutions having an approved technology transfer program and capability. To obtain approval of its technology transfer program, educational institutions shall forward their requests to ERDA as provided in paragraph (2) below.

(2) A nonprofit educational institution desiring to obtain approval of its technology transfer program and capability shall provide the agency with the following information:

(i) General information concerning the institution, including:

(A) A copy of its Articles of Incorporation;

(B) A statement of the institution's purpose and aims; and

(C) A statement indicating the source of the institution's funds;

(ii) A copy of the institution's established patent policy, together with the date and manner of its adoption;

(iii) The name, title, address, and telephone number of the officer responsible for administration of patent and invention matters and a description of staffing in this area, including all offices which contribute to the institution's patent management capabilities;

(iv) A description of the institution's procedures for identifying and reporting inventions and a description of the procedures for evaluation of such inventions for inclusion in the institution's promotional program;

(v) A copy of the agreement signed by employees engaged in research and development, indicating their obligation in regard to inventions conceived or first actually reduced to practice in the course of their assigned duties;

(vi) A copy of the invention report form or outline utilized for preparation of invention reports;

(vii) A statement of whether the institution has an agreement with any patent management organizations or consultants and a copy of any such agreements;

(viii) A description of the plans and intentions of the institution to bring to the marketplace inventions to which it retains title including a description of the efforts typically undertaken by the institution to license its inventions;

(ix) A description of the institution's past patent application and patent licensing activities, including the following:

(A) Number of inventions reported to the institution during each of the past ten (10) years;

(B) Number of patent applications filed during each of the past ten (10) years;

(C) Number of patents obtained during each of the past ten (10) years;

(D) Number of exclusive licenses issued during each of the past ten (10) years;

(E) Number of nonexclusive licenses, other than those to sponsoring Government agencies, issued during each of the past ten (10) years;

(F) Gross royalty income during each of the past ten (10) years; and

(G) A general description of royalties charged, including minimum and maximum royalty rates;

(x) A list of subsidiary or affiliate institutions which would be covered by an agreement signed by the institution;

(xi) If the institution is a subsidiary or affiliate organization, the name of the other related organization and a description of the relationship;

(xii) The amount of Government support for research and development activities currently being administered by the institution, giving Government agency and breakdown;

(xiii) A statement of the institution's policies with respect to the sharing of royalties with employees; and

(xiv) A description of the uses made of any net income generated by the institution's patent management program.

(3) Before an institution's technology transfer program and capabilities are approved, the institution shall have a technology transfer program which, as a minimum shall include the five (5) criteria listed below. In addition to these criteria, consideration will be given to whether or not other Government agencies have approved an Institutional Patent Agreement with the requesting institution. The five criteria are:

(i) An established patent policy which is consistent with the four policy objectives in § 9–9.109–6(a) and is administered on a continuous basis by an officer or organization responsible to the institution;

(ii) Agreements with employees requiring them to assign to the institution or its designee or the Government any invention conceived or first actually reduced to practice by them in the course of or under Government contracts and awards or assurance that such agreements are obtained prior to the assignment of personnel to Government-supported research and development projects;

(iii) Procedures for insuring that inventions are promptly identified and timely disclosed to the officer or organization administering the patent policy of the institution;

(iv) Procedures for insuring that inventions disclosed to the institution are evaluated for inclusion in the institution's promotional program; and

(v) An active and effective promotional program for the licensing and marketing of inventions.

(4) In considering approval of technology transfer programs and capabilities in connection with requests for advance waivers, such approval shall be considered in lieu of commercial, manufacturing, and marketing capabilities which normally reside in industry. Such approval shall not be considered sufficient in and of itself as justifying the granting of an advance waiver to an institution. Approval of the grant of advance waiver must be viewed in light of the considerations of § 9–9.109–6(b) above and the four objectives set forth in § 9–9.109–6(a) above.

(5) In requests for identified waivers, however, the fact that an institution with an approved technology transfer program and capabilities has identified an invention and has expressed a desire to commercialize it through a request for a waiver therefor shall normally be presumed to have met the criteria of § 9–9.109–6(c) unless it is indicated that under one or more of the criteria the presumption is inapplicable.

(i) *Terms and conditions of waivers.* Each waiver shall contain, as a minimum, provisions covering each of the following:

(1) Advance waivers shall apply only to inventions reported in accordance with paragraph (e)(2)(i) of the clause of § 9–9.107–5(a) and with which is included an election as to whether the contractor will retain the rights waived in the invention, and specifying those countries in which rights will be retained.

(2) Subject to the rights granted in paragraphs (c) (1), (2) and (3) of the Patent Rights clause of § 9–9.107–5(a), the contractor or inventor shall agree to convey to the Government, upon request, the entire domestic right, title, and interest in any Subject Invention when the contractor or inventor as appropriate:

(i) Does not elect, in accordance with (i)(1) of this section to retain such rights; or

(ii) Fails to have a United States patent application filed on the invention in accordance with paragraph (i)(5) of this section, or decides not to continue prosecution of such application; or

(iii) At any time, no longer desires to retain title.

(3) Subject to the rights granted in paragraph (c) (1), (2) and (3) of the Patent Rights clause of § 9–9.107–5(a), the contractor or inventor shall agree to convey to the Government, upon request, the entire rights, title and interest in any Subject Invention in any foreign country if the contractor or inventor, as appropriate:

(i) Does not elect, in accordance with paragraph (i)(1) of this section, to retain such rights in the country; or

(ii) Fails to have a patent application filed in the country on the invention in accordance with paragraph (i)(6) of this section, or decides not to continue prosecution or to pay any maintenance fees covering the invention. To avoid forfeiture of the patent application or patent, the contractor or inventor shall notify the patent counsel not less than 60 days before the expiration period for any

action required by the foreign patent office.

(4) Conveyances requested pursuant to paragraph (i) (2) or (3) of this section shall be made by delivering to the patent counsel duly executed instruments and such other papers as are deemed necessary to vest in the Government the entire right, title, and interest in the invention to enable the Government to apply for and prosecute patent applications covering the invention in this or the foreign country, respectively, or otherwise establish its ownership of the invention.

(5) (i) With respect to each invention in which the contractor has an advance waiver and elects to retain domestic rights pursuant to paragraph (i) (1) of this section, the contractor shall have a domestic patent application filed within 6 months after submission of the invention disclosure pursuant to paragraph (e) (2) (i) of the clause of § 9–9.107–5 (a) or such longer period as may be approved by the patent counsel for good cause shown in writing by the contractor or inventor. For identified inventions waived to the contractor or inventor, the contractor or inventor shall have a domestic patent application filed within 6 months after the waiver has become effective. With respect to such inventions, the contractor or inventor shall promptly notify the patent counsel of any decision not to file an application.

(ii) For each subject invention on which a patent application is filed by the contractor or inventor, the contractor or inventor shall:

(A) Within 2 months after the filing or within 2 months after submission of the invention disclosure if the patent application previously has been filed, deliver to patent counsel a copy of the application as filed including the filing date and serial number;

(B) Include the following statement in the second paragraph of the specification of the application and any patents issued on a Subject Invention, "The Government has rights in this invention pursuant to Contract No. _____ (or Grant No. _____) awarded by the U.S. Energy Research and Development Administration.";

(C) Within 6 months after filing the application or within 6 months after submitting the invention disclosure if the application has been filed previously, deliver to the patent counsel a duly executed and approved instrument fully confirmatory of all rights to which the Government is entitled, and provide ERDA an irrevocable power to inspect and make copies of the patent application filed;

(D) Provide the patent counsel with a copy of the patent within 2 months after a patent is issued on the application; and

(E) Not less than 30 days before the expiration of the response period for any action required by the Patent and Trademark Office, notify the patent counsel of any decision not to continue prosecution of the application and deliver to the patent counsel executed instruments granting the Government a power of attorney.

(iii) For each invention in which the contractor initially elects pursuant to (i) (1) of this section not to retain the rights waived, the contractor shall inform the patent counsel promptly in writing of the date and identity of any on sale, public use, or public disclosure of the invention which may constitute a statutory bar under 35 U.S.C. 102, which was authorized by or known to the contractor, or any contemplated action of this nature.

(6) (i) With respect to each Invention in which the contractor elects pursuant to (i) (1) of this section to retain the rights waived in a foreign country, or in which the contractor or inventor has obtained a waiver of foreign rights on an identified invention, the contractor or inventor shall have a patent application filed on the invention in that country, in accordance with applicable statutes and regulations, and within one or the following periods:

(A) Eight (8) months from the date of a corresponding United States application filed by the contractor or inventor, or if such an application is not filed, 6 months from the date the invention is submitted in a disclosure pursuant to paragraph (e) (2) (i) of the clause of § 9–9.107–5 (a);

(B) Six (6) months from the date a license is granted by the Commissioner of Patents and Trademarks to file foreign applications where such filing has been prohibited by security reasons; or

(C) Such longer period as may be approved by the patent counsel.

(ii) The contractor or inventor shall notify the patent counsel promptly of each foreign application filed and upon written request shall furnish an English version of the application without additional compensation.

(7) The contractor or inventor shall, three years after a waiver is effective as to an invention, and at three-year intervals thereafter, and when specifically requested by the patent counsel, furnish patent counsel a report setting forth:

(i) The commercial use that is being made, or is intended to be made, of said invention, and

(ii) The steps taken to bring the invention to the point of practical application or to make the invention available for licensing;

(8) The Government's retention of at least an irrevocable, nonexclusive, paid-up license to make, use, and sell the invention throughout the world by or on behalf of the Government (including any Government agency) and States and domestic municipal governments, unless the Administrator or his designee determines that it would not be in the public interest to acquire the license for the States and domestic municipal governments.

(9) The right in the Administrator or his designee to require the granting of a nonexclusive, exclusive, or partially exclusive license to a responsible applicant or applicants, upon terms reasonable under the circumstances:

(i) To the extent that the invention is required for public use by Governmental regulations;

(ii) As may be necessary to fulfill health, safety or energy needs; or

(iii) For such other purposes as may be stipulated in the applicable agreement.

(10) The right of the Administrator or his designee to terminate such waiver in whole or in part unless the recipient of such waiver demonstrates to the satisfaction of the Administrator or his designee that effective steps have been taken, or within a reasonable time thereafter are expected to be taken, necessary to accomplish substantial utilization of the invention.

(11) The right in the Administrator or his designee commencing four years after a waiver is effective as to an invention, to require the granting of a nonexclusive or partially exclusive license to a responsible applicant or applicants, upon terms reasonable under the circumstances, and in appropriate circumstances to terminate the waiver in whole or in part, following a hearing upon notice thereof to the public, upon a petition by an interested person justifying such hearing:

(i) If the Administrator or his designee determines, upon review of such material as he deems relevant, and after the recipient of the waiver or other interested person has had the opportunity to provide such relevant and material information as the Administrator or his designee may require, that such waiver has tended substantially to lessen competition or to result in undue market concentration in any section of the United States in any line of commerce to which the technology relates; or

(ii) Unless the recipient of the waiver demonstrates to the satisfaction of the Administrator or his designee at such hearing that he has taken effective steps, or within a reasonable time thereafter is expected to take such steps, necessary to accomplish substantial utilization of the invention.

(j) *Terminations.* (1) Any waiver may be terminated at the discretion of the Administrator or his designee, in whole or in part, if the request for waiver is found to contain false material statements or nondisclosure of material facts, and such were specifically relied upon in reaching the waiver determination.

(2) Any waiver, as applied to particular inventions, may be terminated at the discretion of the Administrator or his designee, in whole or in part, if the requirements set forth in paragraph (i) of this section (Terms and conditions of waivers) have not been fulfilled, and such failure is determined by the Administrator or his designee to be material and detrimental to the interests of the United States and the general public.

(3) Prior to terminating a waiver under paragraph (j)(1) or (j)(2) of this section, the recipient of the waiver will be given written notice of the intention to terminate the waiver, the extent of such proposed termination and the reason therefor, and a period of 30 days, or such longer period as the Administrator or his designee shall determine for good cause shown in writing, to show cause why the waiver should not be so terminated.

(4) All terminations or waivers shall be subject to the rights granted in paragraph (c)(1) of the clause of § 9–9.107–5(f), and termination shall normally be partial in nature, requiring the waiver recipient to grant nonexclusive or partially exclusive licenses to responsible applicants upon terms reasonable under the circumstances.

(k) *Effective date.* Waivers shall be effective on the following dates:

(1) For advance waivers of identified inventions, i.e., inventions conceived prior to the effective date of the contract, on the effective date of the contract even though the advance waiver may have been requested after that date;

(2) For identified inventions under advance waivers, i.e., inventions conceived or first actually reduced to practice after the effective date of the contract, on the date the invention is reported with the election to retain rights as to that invention; and

(3) For waivers of identified inventions (other than under an advance waiver), on the date of the letter notifying the requestor that the waiver has been granted.

§ 9–9.110 Reporting of royalties.

In order that ERDA may be informed regarding royalty payments to be made by a contractor in connection with any procurement, construction, or operation where the amount of the royalty payment is reflected in the contract price, or is to be reimbursed by the Government, the negotiator shall (a) Obtain from the offeror information concerning any royalty payments expected to be made in connection with the proposed procurement, construction, or operation, together with the names of the licensors and either the patent numbers involved or such other information as will permit identification of the patents and patent applications as well as the basis on which the royalties are to be paid, or (b) Obtain from the offeror a certificate that the contract price includes no amount representing the payment of any royalty by the offeror directly to others in connection with the performance of the contract, or (c) Insert in the contract the clause set forth below:

REPORTING OF ROYALTIES

If this contract is in the amount which exceeds $10,000 and if any royalty payments are directly involved in the contract or are reflected in the contract price to the Government, the contractor agrees to report in writing to the Patent Counsel (with notification by Patent Counsel to the Contracting Officer) during the performance of this contract and prior to its completion or final settlement the amount of any royalties or other payments paid or to be paid by it directly to others in connection with the performance of this contract together with the names and addresses of licensors to whom such payments are made and either the patent num-

bers involved or such other information as will permit the identification of the patents or other basis on which the royalties are to be paid. The approval of ERDA of any individual payments or royalties shall not stop the Government at any time from contesting the enforceability, validity or scope of, or title to, any patent under which a royalty or payments are made.

Subpart 9–9.2—Technical Data and Copyrights

§ 9–9.200 Scope of subpart.

This subpart sets forth ERDA's policy, procedures, and contract clauses with respect to the acquisition and use of technical data and copyrights in contracts or subcontracts entered into, with or for the benefit of the Government.

§ 9–9.201 Definitions.

For the purpose of this subpart, the following terms have the meanings set forth below:

(a) "Technical Data" means recorded information, regardless of form or characteristic, of a scientific or technical nature. It may, for example, document research, experimental, developmental, demonstration, or engineering work or be usable or used to define a design or process or to procure, produce, support, maintain, or operate materiel. The data may be graphic or pictorial delineations in media such as drawings or photographs, text in specifications or related performance or design type documents, or computer software (including computer programs, computer software data bases, and computer software documentation). Examples of technical data include research and engineering data, engineering drawings and associated lists, specifications, standards, process sheets, manuals, technical reports, catalog item identification and related information. Technical data as used in this subpart does not include financial reports, cost analyses, and other information incidental to contract administration.

(b) "Proprietary Data" means technical data which embody trade secrets developed at private expense, such as design procedures or techniques, chemical composition of materials, or manufacturing methods, processes, or treatments, including minor modifications thereof, provided that such data:

(1) Are not generally known or available from other sources without obligation concerning their confidentiality,

(2) Have not been made available by the owner to others without obligation concerning their confidentiality, and

(3) Are not already available to the Government without obligation concerning their confidentiality.

(c) "Contract Data" means technical data first produced in the performance of the contract, technical data which are specified to be delivered in the contract, technical data that may be called for under the Additional Technical Data Requirements clause of the contract, if any, or technical data actually delivered in connection with the contract.

(d) "Unlimited Rights" means rights to use, duplicate or disclose technical data, in whole or in part, in any manner and for any purpose whatsoever, and to permit others to do so.

§ 9–9.202 Acquisition and use of technical data.

§ 9–9.202–1 General.

(a) The provisions herein pertain to research, development, demonstration and supply contracts, and contracts for the operation, design or construction of Government-owned facilities which are covered by § 9–9.202–4. Under ERDA's broad charter to perform research, development and demonstration work in both nuclear and nonnuclear fields, and to meet the objectives stated in § 9–9.202–2 below, ERDA has extensive needs for technical data. The satisfaction of these needs and the achievement of ERDA's objectives through a sound data policy are found in the balancing of the needs and equities of the Government, its contractors, and the general public.

(b) It is important to keep a clear distinction between contract requirements for the delivery of technical data on the one hand, and rights in technical data on the other. The legal rights which the Government acquires in technical data in ERDA contracts (other than "facilities" contracts) are set forth in the Rights in Technical Data (long form) clause of § 9–9.202–3(e)(2). However, this clause does not obtain for the Government the delivery of any data whatsoever. Rather, known requirements for the technical data to be delivered by the contractor shall be set forth as part of the contract (e.g. in the Statement of Work). An Additional Technical Data Requirements clause is included in this Subpart to enable the contracting officer to require the contractor to furnish additional technical data, the requirement for which was not known at the time of contracting. There is, however, a built-in limitation on the kind of technical data which a contractor may be required to deliver under either the contract Statement of Work or the Additional Technical Data Requirements clause. This limitation is found in the withholding provision of paragraph (e) of the Rights in Technical Data (long form) clause of § 9–9.202–3(e) which provides that the contractor need not furnish "proprietary data". It is specifically intended that the contractor may withhold "proprietary data" even though a requirement for technical data specified in the Statement of Work or called for pursuant to the Additional Technical Data Requirements clause would seemingly require the furnishing of proprietary data. This withholding of proprietary data is the primary means by which the contractor may protect its proprietary position.

(c) There are, however, two situations where the Government, or its representative, may need to have limited access to a contractor's proprietary data. First, paragraph (f) of the Rights in Technical Data (long form) clause gives the contracting officer's representatives the lim-

ited right to inspect at the contractor's facility the contractor's proprietary data which was withheld from delivery under paragraph (e) of the clause for the purpose of verifying that such data were properly withheld or to evaluate work performance. In carrying out the inspection, normally the contracting officer's representative is an ERDA employee although he may be an employee of an ERDA contractor acting under an agreement to treat in confidence the proprietary data to be inspected. However, where the contractor whose data are to be inspected demonstrates that there would be a possible conflict of interest if the inspection were made by such a contractor employee, the contracting officer's representative may be limited to an ERDA employee. Paragraph (f) has a built-in exclusion from these inspection rights for "specific items of proprietary data" when they are so specified in the contract schedule. Such exclusions limit even ERDA's minimum rights of evaluating contract work performance and verifying that technical data withheld by the contract or is proprietary in fact. Such exclusions should be sparingly used, and only in situations where program personnel stipulate to the fact that ERDA has no need for access to the specified items to be excluded from paragraph (f), i.e., that the nondisclosure and nonaccessibility will not adversely affect the ERDA program involved. It should also be noted that paragraph (f) permits exclusion of "specific items" of proprietary data and, accordingly, should not be used to exclude classes of technical data or all technical data pertaining to specific items orp rocesses or classes of items or processes. The second situation, where the Government may have limited access to a contractor's proprietary data, is provided in optional paragraph (g) of the Rights in Technical Data (long form) clause. When used, optional paragraph (g) provides the Government the right to require the contractor to furnish with limited rights the proprietary data previously withheld under paragraph (e). In this situation, the limited rights in proprietary data and the Government's obligation for limited use and disclosure of such data as set forth in the Rights in Technical Data (long form) clause provides the means by which the contractor protects its proprietary position. Paragraph (g) will be used only where it is determined by ERDA that for programmatic reasons there is a need for the delivery of proprietary data to the Government. Where proprietary data is to be delivered under paragraph (g) and subparagraph (a) or (b) of the Limited Rights Legend is to be applied to the data, the contractor may, if he can show the possibility of a conflict of interest regarding disclosure of such data to other contractors, limit or modify subparagraphs (a) or (b) as set forth in § 9-9.202-3(e)3, to exclude or include certain contractors.

(d) The contractor licensing provisions of optional paragraph (h) of the Rights in Technical Data (long form) clause enable ERDA to require limited licenses in proprietary contract data to be granted to the Government and responsible parties in certain circumstances. Such a license may parallel or supplement the license obtained in background patents under the provisions of paragraph (k) of the Patent Rights clause of Subpart 9-9.1. Paragraph (h) is normally to be included in contracts for research, development or demonstration where it is deemed by ERDA that the limited license afforded therein is necessary to ensure widespread commercial use or practical utilization of a subject of the contract. As explained in § 9-9.202-3(e)(4), paragraph (h) provides that upon request by ERDA, the contractor will grant to the Government and responsible third parties a license in proprietary data only where such data in the form of results obtained by its use, i.e., essential equipment, articles, products and the like which were the subject of the contract, are not otherwise available or cannot be made available in a reasonable time as set forth in paragraph (h).

(e) It is the responsibility of prime contractors and higher-tier subcontractors, in meeting their obligations with respect to contract data, to obtain from their subcontractors the rights in, access to, and delivery of such data on behalf of the Government. Accordingly, subject to the policy set forth in these regulations, and subject to the approval of the contracting officer where required, selection of appropriate technical data provisions for subcontracts is the responsibility of the prime contractor or higher-tier subcontractor. In many but not all instances, inclusion in a subcontract of the Rights in Technical Data (long form) clause of § 9-9.202-3(e)(2) will suffice to obtain for the benefit of the Government the rights in and, if appropriate, access to technical data. Access by ERDA to technical data, i.e., the inspection rights afforded in paragraph (f) of the Rights in Technical Data (long form) clause, § 9-9.202-3(e)(2), normally should be obtained only in first tier subcontracts having as a purpose the conduct of research, development or demonstration work or the furnishing of supplies for which there are substantial technical data requirements as reflected in the prime contract. If a subcontractor refuses to accept technical data provisions affording rights in and access to technical data on behalf of the Government, the contractor shall so inform the contracting officer in writing and not proceed with the subcontract without written authorization of the contracting officer. In prime contracts (or higher-tier subcontracts) which contain the Additional Technical Data Requirements clause, it is the further responsibility of the contractor (or higher-tier subcontractor) to determine whether inclusion of such clause in a subcontract is required to satisfy technical data requirements of the prime contract (or higher tier subcontract). As is the case for ERDA in its determination of technical data requirements, the Additional Technical Data

Requirements clause should not be used at any subcontracting tier where the technical data requirements are fully known, and normally the clause will be used only in subcontracts having as a purpose the conduct of research, development or demonstration. Prime contractors and higher tier subcontractors shall not use their power to award subcontracts as economic leverage to inequitably acquire rights in the subcontractor's proprietary data for their private use, and they shall not acquire rights on behalf of the Government to proprietary data for standard commercial items unless required by the prime contract.

(f) Related to the acquisition and use of technical data are the contractor's rights in contract data as well as technical data furnished to the contractor by ERDA or its contractors. These rights are set forth in paragraph (b)(2) of each Rights in Technical Data clause of this Subpart and provide that the contractor may, subject to patent, security and other provisions of the contract, use for its private purposes contract data it first produces in the performance of the contract provided that the contractor has met its data requirements (e.g., delivery of data in the form of progress or status reports specified to be delivered) as of the date of the private use of such data. It is not necessary that a "Final Report" be submitted in order to privately use data if all required progress and interim reports and other technical data then due have been delivered. Paragraph (b)(2) further provides that technical or other data received by the contractor in the performance of the contract must be held in confidence by the contractor in accordance with restrictions accompanying the data.

(g) An additional clause in this Subpart includes that of paragraph 9-9.202-3(f)(2) entitled Rights in Data—Special Works which is to be used in place of or in addition to the Rights in Technical Data clause in contracts where a purpose of the contract is the production of copyrightable material, a substantial portion of which is to be first produced in the performance of the contract, such as motion pictures, television recordings, books, histories, etc. Where, during contract negotiations, it may be determined to purchase, i.e., "specifically acquire," unlimited rights in technical data, or to lease or obtain a license therein, or to obtain rights in existing data, an appropriate clause therefor should be obtained from patent counsel. In situations where technical data including computer software are to be leased or licensed, the terms of any agreement restricting the Government's rights will be included in the contract as either a special provision or an agreement annexed thereto. Another clause, the Rights in Technical Data (short form) clause of § 9-9.202-3(g)(2), is provided for use in research contracts with educational institutions and consultants. Such contracts may, for example, include those for conducting symposia, training or education, or other contracts not involving possible use of proprietary data.

§ 9-9.202-2 Policy.

The technical data policy is directed toward achieving the following objectives:

(a) Making the benefits of the energy research, development and demonstration programs of ERDA widely available to the public in the shortest practicable time;

(b) Promoting the commercial utilization of the technology developed under ERDA programs;

(c) Encouraging participation by private persons in ERDA energy research, development and demonstration programs; and

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

§ 9-9.202-3 Procedures (Supply, Research, Development or Demonstration Contracts).

(a) *Known requirements for technical data.* Technical data requirements are determined in relation to the intended use of that data, which in turn depends upon the intended use of the contract end item. In many contracts for research, the end item may often be a technical report or series of such reports, while in contracts beyond research the subject of the contract may be a feasibility model, an engineering or advance development model, or a prototype. The extent to which required technical data may be needed often depends on the level of maturity of design and perfection of the end item, and, for a demonstration plant or prototype may include data pertaining to performance, operational, and environmental testing, repair, maintenance, operation, quality assurance, detailed design, logistics, training, etc. Known technical data requirements shall be programmatically ascertained prior to contracting and shall be included in requests for proposals or disclosed during contract negotiations for incorporation as data requirements in the contract Statement of Work.

(b) *Additional requirements for technical data.* In contracts for research, development or demonstration it is not normally possible or appropriate for the Government to ascertain all actual needs for technical data in advance of contracting. Accordingly, the Additional Technical Data Requirements clause in (c) below shall normally be used in such contracts (and, if appropriate, in subcontracts) to enable the ordering of technical data as the actual need and requirement therefor became known during the course of the contract. If all technical data requirements are known in advance of contracting and are set forth in the contract Statement of Work, this clause need not be used. The Additional Technical Data Requirements clause should not normally be used in supply contracts because the required technical data therefor are ordinarily known in advance and thus are specified in the contract Statement of Work or Specification.

(c) *Additional technical data requirements clause.*

ADDITIONAL TECHNICAL DATA REQUIREMENTS

(a) In addition to the technical data specified elsewhere in this contract to be delivered, the Contracting Officer may at any time during the contract performance or within one year after final payment call for the Contractor to deliver any technical data first produced or specifically used in the performance of this contract except technical data pertaining to items of standard commercial design.

(b) The provisions of the "Rights in Technical Data" clause included in this contract are applicable to all technical data called for under this "Additional Technical Data Requirements" clause. Accordingly, nothing contained in this clause shall require the Contractor to actually deliver any technical data, the delivery of which is excused by paragraph (e) of the "Rights in Technical Data" clause.

(c) When technical data are to be delivered under this clause, the Contractor will be compensated for appropriate costs for converting such data into the prescribed form, for reproduction, and for delivery.

(d) *Proposals.* The policy and procedures for treatment of proposal information solicited and unsolicited proposals are contained in § 9–3.150 of these Regulations in which it is provided that proposals may be marked with the Notice set forth in § 9–3.150–2(a). It is ERDA policy, in consideration of the contract award, to obtain unlimited rights in the technical data contained in the proposal unless the prospective contractor marks those portions of the technical information which he asserts as being proprietary data. If a contract is to be awarded based on a proposal even though it is marked with the Notice in § 9–3.150–2(a), the prospective contractor is obliged under § 9–3.150–2(b) to identify the portions thereof which contain proprietary data, and the contract in such instance shall contain the Rights to Proposal Data clause set forth in § 9–3.150–2(c) identifying data asserted to be proprietary data by page number. Under § 9–3.150–2 (b) and § 9–3.151–1 which set forth procedures for identifying proprietary data, it is provided that, subject to the concurrence of the contracting officer, the proposer may delete proposal information unrelated to the contract, identify the proprietary data in his proposal or state that there is no proprietary data in the proposal. Data identified as proprietary does not constitute a stipulation by the Government that it is in fact proprietary data.

(e) *Rights in technical data.* (1) The Rights in Technical Data (long form) clause set forth in paragraph (2) below will be used in all contracts having as a purpose the conduct of research, development or demonstration or in contracts for supplies, or in any other contract where technical data are expected to be first produced under the contract, where technical data are specified to be delivered in the contract or where the contract contains the Additional Data Requirements clause. Accordingly, all such contracts will contain the Rights in Technical Data (long form) clause of paragraph (2) below except as noted in § 9–9.202–4 and § 9–9.202–3 (f) and (g) and except contracts for standard commercial "off-the-shelf" supplies where technical data such as operating or repair manuals are routinely furnished with the supplies.

(2) *Rights in technical data clause.*

RIGHTS IN TECHNICAL DATA—LONG FORM

(a) *Definitions.* (1) "Technical Data" means recorded information regardless of form or characteristic, of a scientific or technical nature. It may, for example, document research, experimental, developmental, or demonstration, or engineering work, or be usable or used to define a design or process, or to procure, produce, support, maintain, or operate materiel. The data may be graphic or pictorial delineations in media such as drawings or photographs, text in specifications or related performance or design type documents or computer software (including computer programs, computer software data bases, and computer software documentation). Examples of technical data include research and engineering data, engineering drawings and associated lists, specifications, standards, process sheets, manuals, technical reports, catalog item identification, and related information. Technical data as used herein does not include financial reports, cost analyses, and other information incidental to contract administration.

(2) "Proprietary Data" means technical data which embody trade secrets developed at private expense, such as design procedures or techniques, chemical composition of materials, or manufacturing methods, processes, or treatments, including minor modifications thereof, provided that such data:

(i) Are not generally known or available from other sources without obligation concerning their confidentiality,

(ii) Have not been made available by the owner to others without obligation concerning its confidentiality, and

(iii) Are not already available to the Government without obligation concerning their confidentiality.

(3) "Contract Data" means technical data first produced in the performance of the contract, technical data which are specified to be delivered in the contract, technical data that may be called for under the "Additional Technical Data Requirements" clause of the contract, if any, or technical data actually delivered in connection with the contract.

(4) "Unlimited Rights" means rights to use, duplicate, or disclose technical data, in whole or in part, in any manner and for any purpose whatsoever, and to permit others to do so.

(b) *Allocation of rights.* (1) The Government shall have:

(i) Unlimited rights in contract data except as otherwise provided below with respect to proprietary data.

(ii) The right to remove, cancel, correct or ignore any marking not authorized by the terms of this contract on any technical data furnished hereunder, if in response to a written inquiry by ERDA concerning the propriety of the markings, the Contractor fails to respond thereto within 60 days or fails to substantiate the propriety of the markings. In either case ERDA will notify the Contractor of the action taken.

(iii) No rights under this contract in any technical data which are not contract data.

(2) The Contractor shall have:

(i) The right to withhold proprietary data in accordance with the provisions of this clause,

(ii) the right to use for its private purposes, subject to patent, security or other provisions of this contract, contract data it

first produces in the performance of this contract provided the data requirements of this contract have been met as of the date of the private use of such data. The Contractor agrees that to the extent it receives or is given access to proprietary data or other technical, business or financial data in the form of recorded information from ERDA or an ERDA contractor or subcontractor, the Contractor shall treat such data in accordance with any restrictive legend contained thereon, unless use is specifically authorized by prior written approval of the Contracting Officer.

(3) Nothing contained in this "Rights in Technical Data" clause shall imply a license to the Government under any patent or be construed as affecting the scope of any licenses or other rights otherwise granted to the Government under any patent.

(c) *Copyrighted material.* (1) The Contractor shall not, without prior written authorization of the Contracting Officer, establish a claim to statutory copyright in any contract data first produced in the performance of the contract. To the extent such authorization is granted, the Government reserves for itself and others acting on its behalf a royalty-free, non-exclusive, irrevocable, world-wide license for Governmental purposes to publish, distribute, translate, duplicate, exhibit and perform any such data copyrighted by the Contractor.

(2) The Contractor agrees not to include in the technical data delivered under the contract any material copyrighted by the Contractor and not to knowingly include any material copyrighted by others without first granting or obtaining at no cost a license therein for the benefit of the Government of the same scope as set forth in paragraph (c)(1) above. If such royalty-free license is unavailable and the Contractor nevertheless determines that such copyrighted material must be included in the technical data to be delivered, rather than merely incorporated therein by reference, the Contractor shall request the written authorization of the Contracting Officer to include such copyrighted material in the technical data without a license.

(d) *Subcontracting.* It is the responsibility of the Contractor to obtain from its subcontractors technical data and rights therein, on behalf of the Government, necessary to fulfill the Contractor's obligations to the Government with respect to such data. In the event of refusal by a subcontractor to accept a clause affording the Government such rights, the Contractor shall:

(1) Promptly submit written notice to the Contracting Officer setting forth reasons for the subcontractor refusal and other pertinent information which may expedite disposition of the matter; and

(2) Not proceed with the subcontract without the written authorization of the Contracting Officer.

(e) *Withholding of proprietary data.* Notwithstanding the inclusion of the "Additional Technical Data Requirements" clause in this contract or any provision of this contract specifying the delivery of technical data, the Contractor may withhold proprietary data from delivery, provided that the Contractor furnishes in lieu of any such proprietary data, so withheld technical data disclosing the source, size, configuration, mating and attachment characteristics, functional characteristics and performance requirements ("Form, Fit and Function" data, e.g., specification control drawings, catalog sheets, envelope drawings, etc.) or a general description of such proprietary data where "Form, Fit and Function" data are not applicable. The Government shall acquire no rights to any proprietary data so withheld except that such data shall be subject to the "inspection rights" provisions of paragraph (f), and, if included, the "Limited rights in proprietary data" provisions of paragraph (g) and the "Contractor licensing" provisions of paragraph (h).

(f) *Inspection rights.* Except as may be otherwise specified in this contract for specific items of proprietary data which are not subject to this paragraph, the Contracting Officer's representatives, at all reasonable times up to three (3) years after final payment under this contract, may inspect at the Contractor's facility any proprietary data withheld under paragraph (e) and not furnished under paragraph (g) for the purposes of verifying that such data properly fell within the withholding provision of paragraph (e), or for evaluating work performance.

(3) *Optional clause—limited rights in proprietary data.* In research, development or demonstration contracts and supply contracts where it is determined that delivery of proprietary data is necessary with limited rights in the Government, the Rights in Technical Data (long form) clause shall be supplemented by the additional paragraph (g) set forth below. It should be noted that this paragraph does not entitle the contractor to place a Limited Rights Legend on any technical data furnished to the Government under paragraph (g) below unless the contracting officer requests in writing delivery of identified technical data previously withheld under paragraph (e) of the Rights in Technical Data clause. Paragraph (g) provides that proprietary data may be specified in the contract as being excluded from the delivery requirements of paragraph (g). Alternatively, the Limited Rights Legend specified in paragraph (g) may be made applicable to only those classes of proprietary data determined as being necessary for delivery with limited rights. In addition, when furnishing proprietary data with the Limited Rights Legend, subparagraphs (a), (b) and (c) thereunder may be modified as follows. When proprietary data is to be furnished only for evaluation, subparagraph (a) of the Limited Rights Legend shall be used, and subparagraphs (b) and (c), if otherwise inapplicable, may be deleted. When there is a programmatic requirement that proprietary data be disclosed to other ERDA contractors only for information or use in connection with work performed under their contracts, subparagraph (b) of the Limited Rights Legend shall be used, and subparagraphs (a) and (c) may be deleted if otherwise inapplicable. In either of the foregoing examples, the contractor may, if he can show the possibility of a conflict of interest because of disclosure of such data to certain contractors or evaluators, exclude such contractors or evaluators from subparagraphs (a) or (b). If the data is required solely for emergency repair or overhaul, subparagraph (c) of the Limited Rights Legend shall be retained, and subparagraphs (a) and (b) may unless otherwise applicable, be deleted. In the event it is determined that all of the subparagraphs (a), (b) and (c) of the Limited Rights Legend are to be deleted, the word "none" shall be inserted in the Legend after the colon (:).

(g) *Limited rights in proprietary data.* Except as may be otherwise specified in this contract as technical data which are not subject to this paragraph, the Contractor shall, upon written request from the Contracting Officer at any time prior to three (3) years after final payment under this contract, promptly deliver to the Government any "proprietary data" withheld pursuant to paragraph (e) of the "Rights in Technical Data" clause of this contract. The following legend and no other is authorized to be affixed on any "proprietary data" delivered pursuant to this provision, provided the "proprietary data" meets the conditions for initial withholding under paragraph (e) of the "Rights in Technical Data" clause. The Government will thereafter treat the "proprietary data" in accordance with such legend.

LIMITED RIGHTS LEGEND

This "proprietary data," furnished under Contract No. ------ with the United States Energy Research and Development Administration (and purchase order No. ------ if applicable) may be duplicated and used by the Government with the express limitations that the "proprietary data" may not be disclosed outside the Government or be used for purposes of manufacture without prior permission of the Contractor, except that further disclosure or use may be made solely for the following purposes:

(a) This "proprietary data" may be disclosed for evaluation purposes under the restriction that the proprietary data be retained in confidence and not be further disclosed;

(b) This "proprietary data" may be disclosed to other Contractors participating in the Government's program of which this contract is a part for information or use in connection with the work performed under their contracts and under the restriction that the "proprietary data" be retained in confidence and not be further disclosed; or

(c) This "proprietary data" may be used by the Government or others on its behalf for emergency repair or overhaul work under the restriction that the "proprietary data" be retained in confidence and not be further disclosed.

This legend shall be marked on any reproduction of this data in whole or in part.

(4) *Optional clause—contractor licensing.* In many contracting situations the achievement of ERDA's objectives would be frustrated if the Government at the time of contracting did not obtain on behalf of responsible third parties and itself limited license rights in and to proprietary contract data. Where for example, the contractor is required to license background patents, consideration should be given to securing co-extensive license rights to the Government and responsible third parties at reasonable royalties, and under appropriate restrictions, for contract data which are proprietary data in order to practice the technology which is a subject of the contract. When such a license right is deemed necessary, the Rights in Technical Data (long form) clause should be supplemented by the addition of paragraph (h) below. Paragraph (h) will normally be sufficient to cover proprietary contract data for items and processes that were used in the contract and are necessary in order to insure widespread commercial use of a subject of the contract. The expression "subject of the contract" is intended to limit the licensing required in clause (h) below to the fields of technology specifically contemplated in the contract effort and may be replaced by a more specific statement of the fields of technology intended to be covered in the manner described in § 9–9.107–5(b)(9) of Subpart 9–9.1 of these Regulations pertaining to "Background Patents." Where, however, proprietary contract data cover the main purpose or basic technology of the research, development or demonstration effort of the contract, rather than subcomponents, products or processes which are ancillary to the contract effort, the limitations set forth in subparagraphs (1)–(4) of paragragh (h) should be modified or deleted. Paragraph (h) further provides that technical data may be specified in the contract as being excluded from or not subject to the licensing requirements thereof. This exclusion can be implemented by limiting the applicability of the provisions of paragraph (h) to only those classes or categories of proprietary data determined as being essential for licensing. Although contractor licensing may be required under paragraph (h), the final resolution of questions regarding the scope of such licenses, the terms thereof including provisions for confidentiality and reasonable royalties, is then left to the negotiation of the parties with resolution of the issues being made, if necessary, by a court of competent jurisdiction.

(h) *Contractor licensing.* Except as may be otherwise specified in this contract as technical data not subject to this paragraph, the Contractor agrees that upon written application by ERDA, it will grant to the Government and responsible third parties, for purposes of practicing a subject of this contract, a nonexclusive license in any contract data which are proprietary data on terms and conditions reasonable under the circumstances including appropriate provisions for confidentiality; provided, however, the Contractor shall not be obligated to license any data if the Contractor demonstrates to the satisfaction of the Administrator or his designee that:

(1) Such data are not essential to the manufacture or practice of hardware designed or fabricated, or processes developed, under this contract;

(2) Such data, in the form of results obtained by their use, have a commercially competitive alternative available or readily introduceable from one or more other sources;

(3) Such data, in the form of results obtained by their use, are being supplied by the Contractor or its licensees in sufficient quantity and at reasonable prices to satisfy market needs, or the Contractor or its licensees have taken effective steps or within a reasonable time are expected to take effective steps to so supply such data in the form of results obtained by its use; or

(4) Such data, in the form of results obtained by their use, can be furnished by another firm skilled in the art of manufacturing items or performing processes of the same general type and character necessary to achieve the contract results.

(f) *Rights in data—special works.* (1) The clause set forth in paragraph (2) below shall be used in all contracts where the principal purpose or a task of the contract is the production of copyrightable works, even though such works may incorporate uncopyrighted material or material previously copyrighted by the

contractor or others. Such contracts include those:

(i) Primarily for production of motion picture or television recordings or scripts, musical compositions or arrangements, sound tracks or recordings, translations, adaptations, and the like;

(ii) For books, compilations, surveys, histories, or technology information pamphlets;

(iii) For works pertaining to management studies, support services, training, career guidance, or similar functions of ERDA; and

(iv) For works pertaining to guidance or instruction of ERDA officials or employees in the discharge of official duties.

The clause in paragraph (2) below should be modified with the assistance of patent counsel where the contract calls for the editing, translation, addition, or other modification of the subject matter of an existing work.

(2) *Rights in data—special works clause.*

RIGHTS IN DATA—SPECIAL WORKS

(a) The term "Data" as used herein means recorded information regardless of form or characteristic, such as writings, sound recordings, pictorial reproductions, drawings, or other graphic representations, and works of similar nature (whether or not copyrighted) which are specified to be delivered under this contract. The term includes data such as management studies and data produced under support services contracts but does not include financial reports, cost analyses, and other information incidental to contract administration.

(b) All data first produced or composed in the course of or under this contract shall be the sole property of the Government. Except with the prior written permission of the Contracting Officer, the Contractor agrees not to assert any rights at common law or in equity or establish any claim to statutory copyright in such data. The Contractor shall not publish or reproduce such data in whole or in part or in any manner or form, or authorize others so to do, without the written consent of the Contracting Officer until such time as the Government may have released such data to the public.

(c) The Contractor hereby grants to or will obtain for the Government a royalty-free, nonexclusive and irrevocable license throughout the world (1) to publish, translate, reproduce, deliver, perform, use, and dispose of, in any manner, any and all data which are not first produced or composed in the performance of this contract but which are incorporated in the work furnished under this contract; and (2) to authorize others so to do.

(d) The Contractor shall indemnify and save and hold harmless the Government, its officers, agents, and employees acting within the scope of their official duties against any liability, including costs and expenses, (1) for violation of proprietary rights, copyrights, or rights of privacy, arising out of the public translation, reproduction, delivery, performance, use, or disposition of any data furnished under this contract; or (2) based upon any libelous, defamatory, or other unlawful matter contained in such data.

(e) Nothing contained in this clause shall imply a license to the Government under any patent, or be constructed as affecting the scope of any licenses or other rights otherwise granted to the Government under any patent.

(g) *Rights in technical data clause (short form)* (1) The clause set forth in paragraph (2) below may be used in contracts for basic research including grants, Special Support Research Agreements with educational institutions, contracts with consultants, contracts for symposia or for the conduct of training and educational programs, and in other contracts of a similar nature. This clause shall not be used in any contract where proprietary information of the contractor may be utilized in the performance of work under the contract, and in such instances the Additional Technical Data Requirements clause of § 9–9.202–3(c) and the Rights in Technical Data (long form) clause of § 9.202–3(e)(2) shall be used. The short form clause of this section shall not be used in situations involving long-term consultancy arrangements for work in ERDA programs covered by ERDA Manual Chapter 7604. In such instances the clauses in ERDAM 7604 shall be used.

(2) *Rights in technical data clause—short form.*

RIGHTS IN TECHNICAL DATA—SHORT FORM

(a) *Definitions.* The definitions of terms set forth in 41 CFR 9–9.201 apply to the extent these terms are used herein.

(b) *Allocation of rights.* (1) The Government shall have:

(i) Unlimited rights in technical data first produced or specifically used in the performance of this contract;

(ii) The right of the Contracting Officer or his representatives to inspect at all reasonable times up to three (3) years after final payment under this contract all technical data first produced or specifically used in the contract (for which inspection the Contractor or its subcontractor shall afford proper facilities to ERDA);

(iii) The right to have any technical data first produced or specifically used in the performance of this contract delivered to the Government 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.

(2) The Contractor shall have:

The right to use for its private purposes, subject to patent, security or other provisions of this contract, technical data it first produces in the performance of this contract provided the data requirements of this contract have been met as of the date of the private use of such data. The Contractor agrees that to the extent it receives or is given access to proprietary data or other technical, business or financial data in the form of recorded information from ERDA or an ERDA contractor or subcontractor, the Contractor shall treat such data in accordance with any restrictive legend contained thereon, unless use is specifically authorized by prior written approval of the Contracting Officer.

(c) *Copyrighted material.* (1) The Contractor agrees to, and does hereby grant to the Government, and to its officers, agents, servants and employees acting within the scope of their duties:

(i) A royalty-free, nonexclusive, irrevocable license to reproduce, translate, publish, use, and dispose of and to authorize others so to do, all copyrightable material first produced or composed in the performance of this contract by the Contractor, its employees or any individual or concern specifically employed or assigned to originate and prepare such material; and

(ii) a license as aforesaid under any and all copyrighted or copyrightable works not first produced or composed by the Contractor in the performance of this contract but which are incorporated in the material furnished under the contract, provided that such license shall be only to the extent the Contractor now has, or prior to completion or final settlement of the contract may acquire, the right to grant such license without becoming liable to pay compensation to others solely because of such grant.

(2) The Contractor agrees that it will not knowingly include any material copyrighted by others in any written or copyrightable material furnished or delivered under this contract without a license as provided for in subparagraph (1)(ii) hereof, or without the consent of the copyright owner, unless it obtains specific written approval of the Contracting Officer for the inclusion of such copyrighted material.

§ 9–9.202–4 Procedures (government-owned, contractor-operated facilities).

(a) *General.* It is essential that ERDA maintain continuity in its programs which are implemented by contracts for the operation of Government-owned, contractor-operated facilities. Contract data first produced or specifically used in the performance of such contracts must be considered as integral to and remaining with the facility or plant after termination of such contracts and thus available to ERDA and its future contractors for the continued use of the facilities or plant. However, it is recognized that these contracts by their nature cannot always be subject to one set of prescribed contract provisions which will always apply. Accordingly, the Rights in Technical Data—Facility clause set forth in paragraph (c)(2) below is to be used as a basic or minimal clause which may be modified or expanded with the concurrence of patent counsel to meet particular contract situations.

(b) *Subcontracting.* Unless otherwise directed by the contracting officer, the contractor shall follow the policy and procedures of § 9–9.202–1, 2, and 3 above and shall employ the provisions of the Additional Technical Data Requirements clause of § 9–9.202–3(c) and the Rights in Technical Data clause of § 9–9.202–3(e)(2) where appropriate except in subcontracts for the design of special production plants or facilities or specially designed equipment for such facilities or plants in which instances contractors shall include the provisions of the Rights in Technical Data clause of § 9–9.202–4.

(c) *Rights in technical data clause—facility.* (1) Whenever a contract has as a purpose the operation of a Government-owned contractor-operated research or production facility, the clause set forth in (2) of this paragraph shall normally be included in the contract. Inasmuch as this clause secures to the Government ownership, access to, and, if requested, delivery of all technical data first produced in the performance of the contract and access to and delivery of technical data which are specifically used in the performance of the contract, there is no need to include the Additional Technical Data Requirements clause of § 9–9.202–3(c).

(2) Rights in technical data clause—facility.

RIGHTS IN TECHNICAL DATA—FACILITY

(a) *Definitions.* (1) "Technical Data" means recorded information, regardless of form or characteristic, of a scientific or technical nature. It may, for example, document research, experimental, developmental, or demonstration, or engineering work or be usable or used to define a design or process or to procure, produce, support, maintain, or operate materiel. That data may be graphic or pictorial delineations in media such as drawings or photographs, text in specifications or related performance or design type documents, or computer software (including computer programs, computer software data bases and computer software documentation). Examples of technical data include research and engineering data, engineering drawings and associated lists, specifications, standards, process sheets, manuals, technical reports, catalog item identification and related information. Technical data as used herein does not include financial reports, cost analyses and other information incidental to contract administration.

(2) "Proprietary Data" means technical data which embody trade secrets developed at private expense, such as design procedures or techniques, chemical composition of materials, or manufacturing methods, processes, or treatments, including minor modifications thereof, provided that such data:

(i) Are not generally known or available from other sources without obligation concerning their confidentiality;

(ii) Have not been made available by the owner to others without obligation concerning their confidentiality; and

(iii) Are not already available to the Government without obligation concerning their confidentiality.

(3) "Unlimited Rights" means rights to use, duplicate, or disclose technical data, in whole or in part, in any manner and for any purpose whatsoever, and to permit others to do so.

(b) *Allocation of rights.* (1) The Government shall have:

(i) Ownership in all technical data first produced in the performance of the contract,

(ii) The right to inspect technical data first produced or specifically used in the performance of the contract at all reasonable times (for which inspection the proper facilities shall be afforded ERDA by the Contractor and its subcontractors),

(iii) The right to have all technical data first produced or specifically used in the performance of the contract 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, provided, that nothing contained in this paragraph shall require the Contractor to actually deliver any technical data the delivery of which is excused by this Rights in Technical Data clause,

(iv) Unlimited rights in technical data specifically used in the performance of this contract except technical data pertaining to items of standard commercial design; the Contractor agrees to leave a copy of such technical data at the facility or plant to which such data relate, and to make available for access or to deliver to the Government such data upon request by the Contracting Officer; provided, that if such data are proprietary, the rights of the Government in such data shall be governed solely by the provisions of paragraph (e) hereof—"Limited Rights in Proprietary Data."

(v) The right to remove, cancel, correct or ignore any marking not authorized by the terms of this contract on any technical data furnished hereunder if, in response to a written inquiry by ERDA concerning the propriety of the markings, the Contractor fails to respond thereto within 60 days or fails to substantiate the propriety of the markings. In either case ERDA will notify the Contractor of the action taken.

(2) The Contractor shall have:

(i) The right to withhold its proprietary data, subject to the provisions of this clause;

(ii) The right to use for its private purposes, subject to patent, security or other provisions of this contract, technical data it first produces in the performance of this contract, provided the data requirements of this contract have been met as of the date of the private use of such data. The Contractor agrees that to the extent it receives or is given access to proprietary data or other technical, business or financial data in the form of recorded information from ERDA or an ERDA contractor or subcontractor, the Contractor shall treat such data in accordance with any restrictive legend contained thereon, unless use is specifically authorized by prior written approval of the Contracting Officer.

(3) Nothing contained in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any licenses or other rights otherwise granted to the Government under any patent.

(c) *Copyrighted material.* (1) The Contractor shall not, without prior written authorization of the Contracting Officer, establish a claim to statutory copyright in any technical data first produced in the performance of this contract. To the extent such authorization is granted, the Government reserves for itself and others acting on its behalf a royalty-free, nonexclusive, irrevocable, world-wide license for Governmental purposes to publish, distribute, translate, duplicate, exhibit and perform any such data copyrighted by the Contractor.

(2) The Contractor agrees not to include in the technical data delivered under the contract any material copyrighted by the Contractor and not to knowingly include any material copyrighted by others without first granting or obtaining at no cost a license therein for the benefit of the Government of the same scope as set forth in paragraph (c)(1) above. If the Contractor believes that such copyrighted material for which the license cannot be obtained must be incuded in the technical data to be delivered, rather than merely incorporated therein by reference, the Contractor shall obtain the written authorization of the Contracting Officer to include such material in the technical data prior to its delivery.

(d) *Subcontracting.* (1) Unless otherwise directed by the Contracting Officer, the Contractor agrees to use in subcontracts having as a purpose the conduct of research, development or demonstration or in subcontracts for supplies, the contract clause provisions in 41 CFR 9–9.202–3(c) and 41 CFR 9–9.202–3(e)(2) in accordance with the policy and procedures at 41 CFR 9–9.202– 1, 2, and 3.

(2) It is the responsibility of the Contractor to obtain from its subcontractors rights, on behalf of the Government, in technical data necessary to fulfill the Contractor's obligations to the Government with respect to such data. In the event of refusal by a subcontractor to accept a clause affording the Government rights in technical data as set forth above, the Contractor shall:

(i) Promptly submit written notice to the Contracting Officer setting forth reasons for the subcontractor refusal and other pertinent information which may expedite disposition of the matter; and

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

(d) *Optional clause—limited rights in proprietary data.* In contracts where it is determined that delivery of proprietary data is necessary with limited rights in the Government, the Rights in Technical Data clause of this section shall be supplemented by the additional paragraph (e) set forth below. Paragraph (e) provides that technical data may be specified in the contract as being excluded from the delivery requirements thereof. Alternatively, paragraph (e) may be limited or made applicable to only those classes of proprietary data determined as being necessary for delivery with limited rights. In addition, when furnishing proprietary data with the Limited Rights Legend, subparagraphs (a), (b), and (c) thereunder may be modified as follows. When proprietary data is to be furnished only for evaluation, subparagraph (a) of the Limited Rights Legend shall be used, and subparagraphs (b) and (c), if otherwise inapplicable, may be deteled. When there is a programmatic requirement that proprietary data be disclosed to other ERDA contractors only for information or use in connection with work performed under their contracts, subparagraph (b) of the Limited Rights Legend shall be used, and subparagraphs (a) and (c) may be deleted if otherwise inapplicable. In either of the foregoing examples, the contractor may, if he can show the possibility of a conflict of interest because of disclosure of such data to certain contractors, or evaluators, exclude such contractors or evaluators from subparagraphs (a) or (b). If the data is required solely for emergency repair or overhaul, subparagraph (c) of the Limited Rights Legend shall be retained, and subparagraphs (a) and (b), may unless otherwise applicable, be deleted. In the event that it is determined that all of the subparagraphs (a), (b), and (c) of the Limited Rights Legend are to be deleted, the word "none" shall be inserted in the Legend after the colon (:).

(e) *Limited rights in proprietary data.* Except as may be otherwise specified in this contract as technical data which are not subject to this paragraph, the Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive paid-up license and right to use by or for the Government any proprietary data of the Contractor specifically used in the performance of this contract; provided, however, that to the extent that any proprietary data when furnished or delivered is specifically identified by the Contractor at the time of initial delivery to the Government or a representative of the Government, such data shall not be used within or outside the Government except as provided in the "Limited Rights Legend" set forth below. All such proprietary data shall be marked with the following "Limited Rights Legend":

LIMITED RIGHTS LEGEND.

This "proprietary data," furnished under

Contract No. _____ with the United States Energy Research and Development Administration (and purchase order No. _____ if applicable) may be duplicated and used by the Government with the express limitations that the "proprietary data" may not be disclosed outside the Government or be used for purposes of manufacture without prior permission of the Contractor, except that further disclosure or use may be made solely for the following purposes:

(a) This "proprietary data" may be disclosed for evaluation purposes under the restriction that the proprietary data be retained in confidence and not be further disclosed;

(b) This proprietary data may be disclosed to other Contractors participating in the Government's program of which this contract is a part for information or use in connection with the work performed under their contracts and under the restriction that the "proprietary data" be retained in confidence and not be further disclosed.

(c) This "proprietary data" may be used by the Government or others on its behalf for emergency repair or overhaul work under the restriction that the "proprietary data" be retained in confidence and not be further disclosed.

This legend shall be marked on any reproduction of this data in whole or in part.

§ 9–9.202–5 Negotiations and deviations.

Contracting officers shall contact the field patent counsel assisting the activity, or the Assistant General Counsel for Patents, for assistance to the contracting officer in selecting, negotiating, or approving appropriate data and copyright clauses in accordance with the procedures as set forth in § 9–9.107–4(k). In particular, advice of patent counsel should be obtained regarding the appropriateness or modification of optional paragraphs (g) and (h) of the Rights in Technical Data (long form) clause, the exclusion of specific items of proprietary data from paragraph (f) in said clause, and the exclusion of the Additional Technical Data Requirements clause of § 9–9.202–3(c).

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Government Patent Policy: Time for Compromise

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Introduction

Until the beginning of the Second World War, government research and development was primarily a modest in-house effort, the major part of which was still devoted to agriculture and the development of land resources. The requirements of modern warfare then led scientific inquiry into such fields as aviation, atomic energy, shipping, electronics, etc. The nation's rise to the challenge of the war emergency was the opening salvo of an unprecedented explosion of new technology which the United States has experienced in the past three decades.

Good or bad, inevitable or not, the federal government has continued its leadership which it started during the War and federal funds support about two-thirds of all research and development performed in this country today. In the current fiscal year, each working day will see some 80 million tax dollars go for

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research and development; about one-half that sum was a yearly research and development budget before World War II came along to disturb the tranquility of science and technology.

Laboratories and technical staffs of government agencies have mushroomed in the past thirty years. However, a significant phenomenon of the ever increasing governmental investment in research and development has been the turn by the government toward cooperative effort with private industry. The result has been the evolvement of a government-industry relationship which is now firmly founded upon a federal policy of contracting-out the vast majority of the research and development work considered essential to public purposes.

This means that the federal government now procures a different type of product from the private sector and the use of procurement policies of general application for research and development creates special problems. Research and development are in many ways essentially different from goods and services obtained by the government for other purposes. It is a relatively simple matter to provide for unequivocal transfer of all title and rights in off-the-shelf purchases of tangible products such as shoelaces, generators or vehicles. In the case of research and development, however, the "product" is more often than not intangible—an idea, a system, a design, a method, an invention. The traditional concept of simple sale and purchase is not always easy to apply to intellectual property such as an idea or discovery, and rights and title to these can therefore take such legal form as a patent.

Thus, the procurement of research and development results not only in the solutions of current governmental needs but also in discoveries or developments of a patentable nature useful not only to the government but which have actual or potential commercial value. Accordingly, rights to inventions rising out of government-sponsored research and development have a triple significance to the government in the form of "immunity," "pecuniary" and "exclusionary" values. Immunity value as a means of reducing or eliminating the costs to the United States of making or using inventions in connection with government production or procurement is obvious. Pecuniary value as property to be sold, licensed or exchanged for other patent rights has been ignored up to now. Exclusionary value is the source of the so-called "commercial rights" in inventions resulting from government-financed research and development and is the value which has created an unresolved problem of law, philosophy and emotion.

There has been continuing concern and disagreement regarding the control, disposition and use of patent rights in inventions resulting from research conducted or financed by the government. This (and the attempt at formulation of a policy for such inventions that will best serve the public interest) furthers the progress of science and brings about the most widespread enjoyment of its benefits; however, this argument has divided interested parties into separate and immovable camps of advocacy for the past three decades. These two camps are sustained by opposing schools of thought. One school, which is considered the traditional one at least by its proponents,[1] probably dates back as long as there has been federal sponsorship of research and development. It covers the bulk of patentable inventions generated with government funds.[2] This point of view holds that the government should acquire only those rights to inventions which it needs, namely, the free use of such inventions for governmental purposes.

At the opposite end of the spectrum is a school of thought which holds that the government should, as a general policy, acquire all rights, including patent rights, to inventions conceived under government-sponsored research. This concept probably had its origin in the Temporary National Economic Committee hearings of the late 1930's. The point of view first won official approval in the recommendations contained in a report of the Attorney General in 1947[3] and has been making legislative and administrative in-roads ever since.

As the issues surrounding the allocation of invention rights became more pronounced, the Congress acted to provide statutory guidance, but strictly on an ad hoc approach. Since 1947, the Congress in establishing or authorizing programs of the various research agencies has written into each act widely differing provisions for both research and the inventions resulting therefrom.

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[1] Machinery and Allied Products Institute, *Reconsidering Government Patent Policy: A Review and Analysis* (Washington, D.C.: MAPI, 1960), p. 2. "This attitude is called traditional because: (1) it would appear to be most in keeping with the free enterprise system of the United States and with the philosophy which motivated the authors of the Constitution to authorize a patent system; and (2) this policy is still the prevailing policy among most Federal agencies, including the Department of Defense, the notable exceptions being the AEC and NASA."

[2] Army, Navy and Air Force research programs account for sixty-seven percent of the patent applications filed on government-financed inventions. *See* Federal Council for Science and Technology, *Annual Report on Government Patent Policy: Combined December 1971 and December 1972*, Table 1, pp. 125, 137.

[3] U.S., Department of Justice, *Investigation of Government Patent Practices and Policies: Report and Recommendations of The Attorney General to the President*, 3 vols., 1947.

These provisions have ranged from no policy statement at all (leaving it to the agency or the Executive to set policy by regulations) to the very specific and highly restrictive policy set in the Atomic Energy Act and other statutes covering specific areas of technology. In its first and only effort at resolving the allocation of rights issue on a government-wide basis, the Executive Branch supported a flexible policy to accommodate the missions of the various agencies.[4] This administrative fiat may have softened the absolute stand of agencies practicing at the opposite poles of "license" and "title" theory, but did little to bring uniformity to government treatment of the rights question.

Thus, after three decades of rhetoric, disagreement and piecemeal guidance, the patent policy applied to the federal research program (which has reached an annual level of $20 billion and is still growing) is a policy based both on legislative and executive action. The condition is one of disparity and diversity in which the United States government, the largest corporation in the world, has no single over-all and certain policy defining the relative rights of government and its research contractors with respect to contract originated inventions.

The dilemma is three-dimensional. Supporters of the two schools of thought are now firmly entrenched in their respective camps of advocacy. There have been few, if any, who have crossed over since the ideological lines were drawn some thirty years ago. Each new generation of enthusiasts merely takes up the gauntlet from weary precursors and flails away with well-worn arguments, pro and con. In the course of the battle, advocacy of a uniform license policy is usually coupled with admiration for the patent system, and the banner is staunchly carried by patent lawyers morally supported by American businessmen. Advocacy of a uniform title policy, often accompanied by hostility to the patent system, is aggressively pursued by an equally dedicated core of liberal politicians nourished by the convictions of economists and antitrust lawyers. The third dimension, under a banner of "flexibility not uniformity," merely endorses a kaleidoscope of mission and constituency influenced policies. It really has not solved the basic controversy. Given enough time, it stands to be impermeated by the steady flow of restrictive legislation which slowly enlarges the beachhead for the title forces in the battle.

This writer, as a patent lawyer, tends by nature to see the patent

[4] U.S., President, "Statement of Government Patent Policy," *Federal Register* 28, no. 200, 12 October 1963, 10943-6.

system as the means for returning the fruits of government-sponsored research and development to the taxpaying consumer who paid for it in the first place. However, yet another treatise extolling the virtues of either the license or title philosophies seems to be one thing the controversy has little need for today. There is little, if anything, new to be said. In addition, probably no new ways are left to express the old arguments. No converts from one philosophy to the other can be expected.

Viewed objectively, neither policy has shown a respectable track record for returning over two hundred billion taxpaid dollars worth of new technology to the public marketplace. Accordingly, it is the objective of this paper to look critically at both approaches to the distribution of rights to invention and reach for a workable single uniform policy. Such a policy may not satisfy either entrenched philosophical camp. However, it is hoped that this proposal will meet the needs of the government, the contractor, and most of all, the needs of the public as this writer views them. After thirty years and $200 billion, it is time for compromise.

The Struggle for Uniform Policy

As the federal government has grown in size and scope, it has, in the main, adopted general uniformity in the policy and procedures with which it deals with both its employees and the public. Personnel policies, fiscal practices, procurement regulations, etc. are delineated in great detail, widely promulgated and policed by all three branches of government. Uniformity has obvious advantages both to governmental agencies and to those who must interact with them. At least in theory, the benefits of sound business principles are extended to all agencies. Also, inconsistencies in agency practices are reduced, whereby they can compete with each other on equal terms and avoid competition among themselves. This both strengthens the government's bargaining position in its transactions and minimizes the ability of others, be they employees, contractors, etc., to play one agency against another. At the same time those dealing with government, especially individuals and small business concerns, would seem entitled to know and understand beforehand the policy, regulation and practice which the government will rely upon and should not be subjected to a maze of individual reactions, interpretations and practices by its various agencies. These are the general objectives of uniformity of government policy and practice.

Federal patent policy is one area of government interaction

where there have been decades of debate and struggle for uniformity with little gain. In general, the missions of old-line executive agencies tend to fall into the two main groupings of procurement and public service, with the missions of post-war agencies chartered in new and exotic fields of atomic energy and space exploration somewhat in between. The first mentioned group, typified by the Department of Defense, is concerned primarily with the development of new and better items of material and equipment for their own use. On the other hand, public service agencies, typified by the Department of Agriculture, are concerned primarily with the development of new items and ideas that, placed in public use, would advance the national economy and welfare.

Differing missions have historically formed the rationale for differing philosophies as to patent rights. However, the purpose of research and development procurement as the major reason for different policies throughout government seems questionable as to its basis.[5] There are two types of inventions generated under government sponsorship. The first is a device or process having only government (*e.g.*, military) application. The second is an invention having commercial utility. For the first type the only potential customers are the United States or foreign governments. In that case, it seems immaterial to the government whether it takes title or a license since in either case it receives the right to practice the invention or have it practiced for governmental purposes. The contractor (or employee inventor) also should have little preference since exclusivity in potential sales to the government is impossible. On the other hand, inventions capable of commercial application generally require further risk capital to bring them to the commercial marketplace and are always more alluring and profitable to an entrepreneur with exclusive rights. It seems, therefore, that more than the particular nature of agency mission, the nature of invention applicability comes closer to dictating the rationale for ownership in any agency and, in fact, in government research and development as a whole.

As far back as 1943, President Roosevelt, in inaugurating a study by the Department of Justice of the patent policies and practice of government agencies, noted the "need for a uniform Government-wide policy with respect to the ownership, use or control of inventions made by employees of the Federal Govern-

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[5] Dobkin, "Patent Policy in Government Research and Development Contracts," 53 Virginia Law Review 591 (1967).

ment, or by employees of Government contractors in the course of performing contracts financed by the United States."[6] In his final report four years later, the Attorney General concluded that the investigation by his Department fully demonstrated the soundness of that observation.[7]

For the next fifteen years the debate centered not so much on whether or not there should be uniformity, but on the question of what kind of standard patent policy the government should have. Those who support a uniform license policy, mindful of the advantages of the patent system itself, insist that the merits of a license policy and the merits of the patent system should not be considered as separate questions.

Similarly, those who advocate that the government uniformly takes title and dedicates its inventions do so in part because they view the patent system with critical eyes. They argue that patents can be barriers to progress and hence progress is best achieved if patented inventions become public property.[8]

Industry Attitudes

The nongovernmental interest groups in the debate over uniform government patent policy have been industry, nonprofit organizations, including universities, and the patent bar. These groups in their own proper self-interest have consistently urged that the government's contractor is entitled to the fruits of patentable inventions which he develops.[9] Thus, the private sector has publicly favored a license policy and has sought its extension to all government research and development contracts.[10]

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[6] Note 3, *supra*, Vol. I at 8.

[7] *Id.*

[8] Watson, Bright, and Burns, "Federal Patent Policies in Contracts for Research and Development," 4 The Patent, Trademark, and Copyright Journal of Research and Education (Idea) 295, 299 (Winter 1960).

[9] It should be noted that some government contractors who are primarily engaged in manufacturing and do not pursue strong R&D programs find their self-interest in ready access to the inventions developed by others. On occasion, this type of contractor has spoken out against the general industry's stand on patent rights.

[10] Machinery and Allied Products Institute, *Federal Patent Policy* (Washington, D.C.: MAPI, 1960), p. 35. MAPI, a frequent voice for industry on government patent policy, recommended:

"1. The Government as a matter of general policy, should limit itself to the acquisition of royalty-free, nonexclusive licenses to inventions first conceived or reduced to practice during the performance of Government research and development contracts.

Nongovernmental groups have been frustrated by piece-meal treatment of contract patent policy during the years in which debate over uniformity has continued. They have seen patent provisions in Atomic Energy Commission and National Aeronautics and Space Administration legislation and subsequent special technical programs begin to build a counterbalance to the dominant influence of the license policy of the Department of Defense. Dealing with different agencies has meant inconsistency in obtaining the favorable patent rights terms to which they have become accustomed. Industry, trade associations and the patent bar have continued to press for executive consistency[11] and legislative uniformity[12] in the direction of government-wide adherence to a policy which would leave title to inventions with the contractor.

Agency Attitudes

The Executive Branch of government has great interest in the final outcome of the debate over government patent policy. However, individual agency posture insofar as uniformity is concerned has been characteristically a "live and let live" attitude. The lack of uniformity of federal agency patent policies is long standing. On one end of the spectrum, the title policy of the Department of Agriculture can be traced back to the nineteenth century.[13] At the other end, the license policy of the military departments likewise had its origin long ago.

How do the agencies publicly justify their varying policies? Since most statutory provisions on patent policy are somewhat ambiguous, and since some agencies do not even have a patent policy mandate from Congress, they generally have rationalized their approaches on the basis of their research and development missions. As a consequence, the belief has developed within the Executive Branch that particular missions should carry particular kinds of patent policies. These missions are usually distinguished according to whether their aim is to advance technology for the use of the government or for the public.[14]

2. This policy, which has been adopted by the Department of Defense, should be followed by all Federal agencies."

[11] Solo, "Patent Policy for Government-Sponsored Research and Development," 10 IDEA 144 (Summer 1966).

[12] Aerospace Industries Association, *Inventions and Patents in Government Contracting* (Washington, D.C.: AIA, July 1971), p. 8.

[13] Note 8, *supra* at 296.

[14] Lambright, "Government, Industry, and the Research Partnership: The Case of Patent Policy," 28 Public Administration Review 216 (March/April 1968).

Furthermore, to understand why one government has many patent policies, it is necessary to look beyond the agencies. It is necessary to look at the kinds of relationships agencies have with the congressional committees and interest groups most concerned with a given policy area. The relative weight given the claims of property and commerce in invention by an agency derives from its own views of the public interest, as those views are shaped by its relative bargaining power vis-à-vis the forces in its environment. The kinds of interactions and bargaining relationships which characterize one agency may be very different from those characterizing any other. Centrifugal forces working to maintain diversity being what they are, if individual agencies are left to their own pragmatic options, diversity of patent policy is an inevitable consequence.[15]

Of those agencies whose missions are oriented toward technology for governmental use, the Department of Defense, which accounts for approximately half of the government's research and development expenditures, is the most visible proponent of the license policy. Given the responsibility for national security and a military force second to none in a world environment of rapidly advancing technology, that agency has traditionally opted for the right to accommodate its patent policy to the real world influences on mission accomplishment. These include such factors as budget limitations, industry cooperation and congressional and public image. Under these influences the Department of Defense tends to see a license policy as the general servant of the public interest, at least insofar as its own efforts are concerned. With a "bare-bones" research and development budget to explore the myriad of pathways of technology, it must rely upon the laboratories of private industry as well as its own. There is a delicate balance of cost, cooperation and performance within the military/industrial complex. This relationship is considered critical to this Department's success in achieving national security. Like the baseball manager who does not break up a winning combination, the Department of Defense is unwilling to change its patent policy, risking greater expense and less performance unless it can be sure that the change is needed and is in the public interest.[16] In support of its position, the Department of Defense is able to cite past efforts at government-sponsored industrial research in programs such as

[15] *Id.* at 220.

[16] Keeffe and Lewis, *Defense Department Patent Policy: Proposed Changes in ASPR Provisions* (Washington, D.C.: Department of the Navy, 1960), p. 12.

synthetic rubber and cancer chemotherapy where operating agencies were unable to do their jobs without existence of the patent incentive.[17]

Agencies embracing title policy or some modification thereof are inclined to be either new statutory agencies such as the Atomic Energy Commission and the National Aeronautics and Space Administration or old line agencies whose research is public-oriented such as the Department of Agriculture; the Department of Interior; the Department of Health, Education, and Welfare; and the Tennessee Valley Authority. Spokesmen for these agencies are prone to insist on the unique missions of their agencies, on the peculiarities of their research and development programs, and therefore on the appropriateness of the title policy for them.[18] However, the attitude toward government-wide uniformity here has been the same as with the Department of Defense and other license-oriented agencies. Patent policy has been cut to fit individual agency needs and there has been no clamor from agencies adhering to a title philosophy to impose their practice on others.

To the contrary, there has been one executive agency which has consistently pushed for a uniform patent policy for the government. In its study of "Patent Policies and Practices of Government Departments and Agencies Relating to Inventions of Their Employees and Contractors" the Department of Justice took a stand on the issue and has stuck with it ever since. The 1947 report of the Attorney General to the President contained the following:[19]

> IV. Inventions Made By Government Contractors
>
> A. FINDINGS AND CONCLUSIONS OF ATTORNEY GENERAL
>
> 1. Where patentable inventions are made in the course of performing a Government-financed contract for research and de-

[17] *Id.* at 27.

[18] It is interesting to note, however, that as these agencies experience difficulties in contracting or in technology utilization, they are prone to meet their problems on an ad hoc basis through the application of the incentives of the patent system. Thus, few, if any, of the so-called "title agencies" unswervingly follow an absolute policy of government ownership and dedication to the public. For example:

HEW leaves title with contractors or grants exclusive licenses in selected instances.

Interior on occasion leaves patent rights with contractors in selected instances.

Agriculture has been a pioneer in the use of the exclusive license incentive to obtain commercial use of technology.

AEC has deviated from title policy in instances of "out-field" inventions which do not relate to nuclear fission technology.

NASA selectively takes advantage of its right to waive title to inventions.

[19] Note 3, *supra* at 4-5.

velopment, the public interest requires that all rights to such inventions be assigned to the Government and not left to the private ownership of the contractor. Public control will assure free and equal availability of the inventions to American industry and science; will eliminate any competitive advantage to the contractor chosen to perform the research work; will avoid undue concentration of economic power in the hands of a few large corporations; will tend to increase and diversify available research facilities within the United States to the advantage of the Government and of the national economy; and will thus strengthen our American system of free, competitive enterprise.

2. To leave patent rights to the contractor may permit the suppression of an invention paid for by the public, or the imposition of an assessment for its use by the public to serve private advantage. It would constitute an unequal form of reward for comparable performance and would tend to unbalance Federal research by making more desirable those aspects likely to lead to commercially valuable patent rights. . . .

B. RECOMMENDATIONS OF ATTORNEY GENERAL

1. As a basic policy, all contracts for research and development work financed with Federal funds should contain a stipulation providing that the Government shall be entitled to all rights to inventions produced in the performance of the contract. . . .

The primary influence in the penchant of the Department of Justice for a government-wide title policy clearly seems to be the antitrust/free economy thinking which has permeated its attitude towards patents for the past three or more decades.

Congressional Attitudes

If a provincial approach to patent policy by individual executive agencies led to lack of uniformity, piece-meal attention (or inattention) to the subject by the legislature did nothing to remedy the situation. Even though the military agencies have traditionally accounted for more than half of government research and development expenditures, in the Armed Services Procurement Act of 1947,[20] the Congress expressed no policy concerning the allocation of rights to inventions or patents. Later in 1950, when it did speak to patent policy in the National Science Foundation Act of 1950,[21] Congress went no further than to provide that each contract of the National Science Foundation should "contain provisions governing the disposition of inventions produced thereunder in a manner calculated to protect the public interest and the equities of the individual or organization with which the contract

[20] 62 Stat. 21 (1948), 10 U.S.C. § 2201 *et seq.* (1970).
[21] 64 Stat. 149 (1950), 42 U.S.C. §§ 1861-1875 (1970).

or other arrangement is executed."[22] There was no requirement that the Foundation take title to any inventions, nor was there even a requirement that a royalty-free, nonexclusive license be reserved to the government. The authorization was broad and placed patent rights squarely within the discretion of the agency.

The first detailed statement of patent policy came as part of the Atomic Energy Act of 1954.[23] The Act required the Atomic Energy Commission to take title to any invention or discovery useful in the production or utilization of atomic energy when the discovery is made under any contract with the Commission, except that the Commission is authorized to waive its claim to title under such circumstances as the Commission deems appropriate.[24] As to all other inventions, the Commission is left free to adopt whatever patent policy it wishes, the law merely stating: "Nothing in this chapter shall affect the right of the Commission to require that patents granted on inventions, made or conceived during the course of federally financed research or operations, be assigned to the United States."[25]

The next legislative treatment of patent policy came with the National Aeronautics and Space Act of 1958.[26] Here Congress felt obliged to require the new space agency to take title to all inventions arising out of government-financed research unless the Administrator determines that interests of the United States will be served by waiving title.[27]

By now the inconsistency of policy was highlighted and began to attract greater criticism from both the private sector and the Congress. Different agencies contracting for research with the same industrial firm or university were offering opposite deals with respect to the commercial rights to inventions made. Pressure began to mount for uniformity. The Senate Committee on the Judiciary's Subcommittee on Patents, Trademarks, and Copyrights, chaired by Senator O'Mahoney of Wyoming, stepped into the breach and began an eight-year struggle for patent policy legislation.

The O'Mahoney Subcommittee staff commenced an investigation of government patent practices, publishing preliminary reports on various agencies as completed. Before the investigation

[22] *Id.* at § 1871(a).
[23] 68 Stat. 919 (1954), 42 U.S.C. § 2011 *et seq.* (1970).
[24] *Id.* at § 2182.
[25] *Id.* at § 2189.
[26] 72 Stat. 426 (1958), 42 U.S.C. § 2451 *et seq.* (1970).
[27] *Id.* at § 2457.

was complete and with very limited hearings, Senator O'Mahoney used his last report as Subcommittee Chairman to point out the wide divergence of policy and called upon the Congress to assume responsibility for disposition of inventions. He attacked the practice followed by the Department of Defense as "wasteful" and "irresponsible" and proposed that, pending the enactment of general legislative standards, the Department of Defense should, by appropriate administrative regulations, conform its patent policy to that of the civilian research agencies in all of their common fields of scientific exploration.[28] The tenor of the report, plus the fact that Senator O'Mahoney on his own behalf introduced a bill which provided for ownership by the government of all patented inventions produced by government research, was a clear indication of what uniform practice meant to the majority of the Subcommittee as then constituted. The bill was not acted upon and Senator O'Mahoney did not return to Congress the following year. A year later, the Subcommittee's annual report under its new Chairman, Senator McClellan, pointed to the urgent need for Congress to legislate a government patent policy but proposed that the legislation should have as its objectives: (a) to achieve the highest degree of uniformity of patent policy, consistent with the differing missions of the various departments and agencies, and (b) to provide an equitable balancing of the interests of the government and the contractors.[29]

In the meantime, the outcry which greeted the patent provisions of the Space Act, first from the patent bar, then from trade groups and the business community, was considerable.[30] An attitude favorable toward the license policy seemed to be developed in the 1959 hearings before the Subcommittee on Patents and Scientific Inventions of the House Committee on Science and Astronautics. However, efforts of supporters such as Congressmen Mitchell and Daddario to sharply modify the title policy given the National Aeronautics and Space Administration in 1958 never came to fruition. Patent recommendations of this Subcommittee were included in a bill which passed the House but was not acted upon by the Senate.

[28] S. Rep. No. 143, 87th Cong., 1st Sess. (1961). Individual views filed with the Report by Sen. Wiley as a "balancing reply" pointed out that the Report contained a high degree of opinion and judgment and was based on only two days of hearings at which only a small number of witnesses were asked to testify and did not include the Department of Defense.

[29] S. Rep. No. 1481, 87th Cong., 2d Sess. (1962).

[30] Wise, "Patent Problems in Government Sponsored Research," 45 J.P.O.S. 620 (1963).

Back in the Senate, the most adamant voice against retention of invention rights by government contractors was that of Senator Russell Long of Louisiana. Senator Long, who chaired a Subcommittee on Monopoly of the Senate Select Committee on Small Business, expounded the thesis that since the government pays for research, the government should own resulting inventions and that patent policy as practiced by the Department of Defense is indeed a "giveaway policy."[31] In hearings held before his Subcommittee in 1959, he was able to establish a record with the appearance of hostility toward the concept of license policy.[32] Obviously, Senator Long's definition of uniformity meant across-the-board taking of title to inventions.

After many years of study and debate the effort by the McClellan Subcommittee on Patents, Trademarks, and Copyrights to respond to the hue and cry for a uniform patent policy peaked during the 89th Congress in 1965. It had before it no less than five bills dealing with the subject. Bills S. 1899 by Senator Long and S. 2715 by Senators Hart and Burdick (Subcommittee members) favored a uniform title policy. Bills S. 789 by Senator Saltonstall and S. 2326 by Senator Dirksen were on the license side of the issue. Senator McClellan introduced S. 1809, a middle ground position permitting flexibility of agency action similar in many ways to the Executive policy promulgated in 1963 by President Kennedy. As the second session of Congress came down the home stretch, most government agencies, as well as trade and bar groups, backed the McClellan bill and after some eight years a bill directed to government-wide patent policy finally made it out of the Subcommittee on a three to two vote.[33] The bill passed the parent Committee on the Judiciary but too late to reach the floor of the Senate before the expiration of the 89th Congress.

The momentum was lost. Senator McClellan, who still heads the Subcommittee, has never again taken up the quest for the legislation of a uniform patent policy for all government agencies, nor does there appear to be any prospect in the foreseeable future for congressional action in this direction.

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[31] This characterization has remained the watchword down through the years of politicians, economists and latter-day consumer advocates who are staunch proponents of government ownership and dedication of inventions.

[32] Note 8, *supra* at 297.

[33] Republicans Scott and Fong voted with McClellan for the bill. Democrats Hart and Burdick voted against the bill.

Executive Initiative

The authority and responsibility of the Congress to make basic patent policy decisions for the functioning of the federal government has been unquestioned. However, as the legislative process continued to flounder in the waves of antipodal and unbending philosophies, the ability of Congress to bring uniformity to the potpourri of agency treatment of patent rights became more and more doubtful.

In the early sixties, as agencies turned more often and with more funds to the private sector for research and development, the situation became more chaotic. Different government agencies were presenting entirely different patent clauses to the same contracting company or institution for similar types of research in the same field. Pressure began to build on government agencies to achieve, if not uniformity, then at least a greater consistency of patent policies and practices.[34] This pressure arose both from the private sector and the Congress. Contractors dealing with a number of agencies were not only confronted with confusion and uncertainty, but naturally sought to obtain terms as favorable in dealing with one agency as they were offered in dealing with one another. Furthermore, the political appeal of pronouncements against the "give-away" of valuable patent rights and the proffer of title-taking amendments to each special technology legislation taken up by the Congress promised a gradual strengthening of the hand of those who proposed a uniform title policy for all government-sponsored research and development. Congressional critics of the contradictions in policies and practices of federal agencies recognized the unpromising picture for solution in the political arena of the legislature and reflected their own policy views, or those of their constitutents or philosophical supporters, in their press for achievement of greater consistency by the Executive Branch itself.

Kennedy Policy Statement–1963

In 1962, President Kennedy asked Dr. Wiesner, his Special Assistant for Science and Technology, to see whether he could do something to bring together the various views that had been expressed to him from the Congress, from industry, and from

[34] Note 11, *supra* at 144.

government agencies. Kennedy recognized that this had been a subject of considerable turmoil and instability for a number of years and apparently felt that responsible government should be able to weave a course that would accommodate the various public interests involved.[35]

With the goals of determining a common rationale that would guide the agencies in the solution of the problem and of weaving a common thread through the various agency policies, the Office of Science and Technology (working closely with some twenty federal agencies) attempted to identify some general principles that would protect all aspects of the public interest. The result of this study and consultation was a Memorandum and Statement of Government Patent Policy from the President to the government agencies dated October 10, 1963.[36]

The policy statement recognized four basic concepts as being applicable to a government-wide patent policy. First, greater consistency is needed throughout the government in the acquisition of patent rights even though a completely uniform practice is not feasible in view of differing missions and statutory responsibilities of the agencies engaged in research and development. Second, a single across-the-board title or license policy is not the answer to this difficult problem. Third, before the public can benefit from inventions derived from government-sponsored research and development, the inventions must be developed, exploited, placed before the public, and used. Fourth, determinations as to the disposition of rights should be made as early as practicable, preferably at the time of contracting.

The guidelines set forth in the policy statement purportedly took into consideration the need to stimulate inventors, the needs of the government, the equities of contractors, and the interest of the general public. Under the policy, agencies were required to acquire title to all inventions made in the course of government-sponsored research if the purpose of the research was to create products or processes intended for commercial use by the general public, or

[35] Beckler, "The Public Interest Under Federal Patent Policies," 10 IDEA 256 (1966). Beckler, Assistant to Dr. Wiesner and a principal author of the Kennedy memorandum on government patent policy, noted:

> "I think the important thing here is to emphasize the word 'interests' rather than 'interest' because in many matters of this sort, there are a variety of interests, none of which can be wholly served. So the art of Government is to determine a course which will take into consideration the legitimate concerns of the various interests involved."

[36] *See* Note 4, *supra*.

was directly concerned with public health or welfare; the contract was in a field in which there has been little experience outside the work funded by the government, or in which the government has been the principal developer; or the service of the contractor was for the operation of a government-owned research or production facility, or for coordinating and directing the work of others.

Agencies were permitted to leave title with the contractor where the purpose of the contract was to build upon existing technology and the contractor had acquired technical competence in the field and had an established nongovernmental commerical position in that or a related field of technology.

If the contractor did not have an established nongovernmental commercial position, the determination of rights was to be deferred until after an invention had been identified. This determination was to be made after considering the guidelines that define when the government is to take title to inventions and was to take into account the contractor's plans for commercializing the invention.

Agencies were also permitted to define by regulation, "special situations" in which contractors who did not have an established commercial position in the field of the contract might be permitted to take title to an invention at the time of contracting. For example, the Department of Defense regulations permit an exception for educational institutions that have a policy of acquiring title to patents.

Not only could a contractor obtain title under contracts that related to his commercial field, but in exceptional circumstances he could acquire title to those in the category in which the Government "normally" acquired title, if at the time of contracting the head of the department or agency certified that it would best serve the public interest.

Finally, the contractor got a second chance at title to an invention made under a contract that required him to assign title to inventions, after the invention has been identified. The policy enabled an agency head to grant title to the contractor[37] if he found that the invention was not the primary object of the contract and that title was necessary for commercialization.

Essentially what had emerged from this effort by the Executive Branch was a rationalization of existing practices by reference to criteria which had been tailored specificially to justify the policies

[37] "Analysis: Government Patent Policy," 71 Patent, Trademark, and Copyright Journal C-1 (March 30, 1972).

of the different agencies.[38] It was described by some as appearing on its face to be a case of "all things to all people."[39] However, it did provide a basis for bringing the extremes of agency practices a little closer together. No longer would the Department of Defense, for example, be satisfied with a nonexclusive royalty-free license in every one of its contractual research agreements. By the same token, the Department of Health, Education, and Welfare, for example, would have the flexibility in its traditional title philosophy to use the incentive of commercial rights to help carry out certain of its research programs.

While the government-wide policy promulgated by the Executive pleased neither philosophical camp, had many flaws and may even be unconstitutional,[40] it was at least the first attempt at taking the bull by the horns by any of the branches of government since federal agencies began contracting out research and development over one hundred years before. Nonuniformity practiced with consistency is not much of an accomplishment, but it is more than the Congress has been able to achieve over the years[41] and is certainly better than nothing.

Nixon Revision—1971

The purposes of the 1963 Presidential statement on government patent policy had really been two-fold. The first explicit purpose was to achieve a sufficiently consistent federal patent policy. The second was to promote the commercial utilization of inventions produced through government research and development contracts. By the late sixties, interpretations of the guidelines had been ironed out by the agencies under the aegis of the Committee on Government Patent Policy of the Federal Council for Science and Technology, and agency regulations and practices had been restructured in consonance with the guidelines. "Consistency" of practice among differing policies allegedly accomplished, agencies turned their attention to the concern for utilization of

[38] Note 11, *supra* at 145.

[39] Forman, "President's Statement of Government Patent Policy: A Springboard for Legislative Action," 25 Federal Bar Journal 8 (Winter 1965).

[40] *Id.* at 18.

[41] Senator McClellan in his quest for legislation on government patent policy adopted a middle-of-the-road position quite similar to the policy promulgated in the Kennedy Statement of 1963. His bill, S. 1809, was the only policy legislation which made it out of the Senate Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, only to die unacted upon with the close of the 89th Congress in 1966.

government-owned inventions not only for governmental purposes but for the public benefit on the commercial market.

The ever-growing portfolio of government-owned patents held by various agencies had a poor record of commercialization.[42] Those few inventions being used were products and processes readily adaptable to civilian use and requiring no further development for the commercial market. The Kennedy policy, while encouraging utilization of invention through "dedication" and "licensing," was not explicit enough to support a turn by agencies from the practice of making inventions available on nonexclusive or implied licensing bases.[43] Also some agencies were frustrated in their efforts to gain public utilization for some inventions which they were required to take title to under the Kennedy guidelines.[44]

Accordingly, after a further study of patent policies by the Federal Council for Science and Technology through its Committee on Government Patent Policy, a revised statement improving these shortcomings of the Kennedy policy statement was prepared and submitted to the White House in the waning days of the Johnson administration. The proposed restatement was eventually taken up by the new administration and issued as a new Presidential Memorandum and Statement of Government Patent Policy by President Nixon in August of 1971.[45] The Nixon revisions attributed the degree of commercial utilization of government-sponsored inventions, commercial competition, and participation of industry in government research and development to several important factors. These included the mission of the contracting agency; the purpose and nature of the contract; the commercial applicability and market potential of the invention; the extent to which the invention is developed by the contracting agency; the promotional activities of the contracting agency; the commercial

[42] Holman, "The Utilization of Government-Owned Patented Inventions," 7 Patent, Trademark, and Copyright Journal of Research and Education (IDEA) 323 (Summer 1963), found less than 3% of the government portfolio being used commercially; Sanders, "What Should the Federal Government's Patent Policy Be?", 8 IDEA 168, 183 (Summer 1964), concludes the true utilization to be between 2½ and 5%.

[43] The National Aeronautics and Space Administration, an exception to the rule, interprets the language of its statute, National Aeronautics and Space Act of 1958, 42 U.S.C. § 2457(g) (1970), as providing the basis for granting exclusive licenses under its patents.

[44] U.S., Commission on Government Procurement, *Report of the Commission on Government Procurement* (Washington, D.C.: Government Printing Office, Dec. 1972), Vol. 4, p. 113.

[45] U.S., President, "Statement of Government Patent Policy," *Federal Register* 36, No. 166, 26 Aug. 1971, 16887.

orientation of the contractor; the extent of his privately financed research in the related technology; and the size, nature and research orientation of the pertinent industry.[46]

The new guideline give heads of agencies additional authority to grant to contractors title to inventions, even though an invention is a primary object of the contract. If the agency determines that it is necessary to create an incentive for further development and marketing or that the government contribution is small when compared with that of the contractor, he may be permitted to retain title in order to foster commercialization of the invention.

The second major change places emphasis on licensing of government-owned inventions. The General Services Administration was charged in the policy statement with developing regulations to promote the availability and development of government-owned inventions. For the first time, authority for licensing specifically spelled out both exclusive and nonexclusive licensing as means for accomplishing this.

Government-Wide Licensing Regulations

The ground work for the authority given by the Presidential policy statement of 1971 for departments and agencies to grant exclusive licenses under government-owned patents began back in 1967. At the time, the Patent Management Subcommittee of the Committee on Government Patent Policy was assigned the task of studying methods for enhancing the utilization of government-owned inventions.[47] The initial report of the Subcommittee in July of 1967 analyzed the specific problem of getting government-owned inventions utilized, due to the need of some form of exclusivity to provide the necessary incentive for their effective development and marketing, and recommended that the Federal Council for Science and Technology endorse the practice of granting limited exclusive licenses in this situation. The proposed plan called for advertising appropriate inventions as available for licensing and if, after a fixed period of time, no one was willing to commercialize an invention on a nonexclusive basis, an application for a "limited exclusive license" would be considered. Such licenses would be severely restricted by requirements, conditions and limi-

[46] Note 44, *supra* at 113.

[47] A report of the efforts and proposals of this Subcommittee was printed in the *Annual Report on Government Patent Policy: Combined December 1969 and December 1970 of the Federal Council for Science and Technology* (Washington, D.C.: Government Printing Office, 1971), pp. 104-37.

tations as to term, transferability, licensing, commercial development, investment, revocation, etc.

Before acting on the report, the Federal Council asked for consideration as to the ability of agencies to grant such licenses without specific statutory authority. When asked for views on the legality of the plan, the Office of Legal Counsel within the Department of Justice gave its approval. In its opinion[48] nine limitations were enumerated and followed by this conclusion:

> Utilization of a licensing scheme for certain Government-owned patents, containing the above limitation, would appear to be compatible with the interests of the United States, as owner of such patents for public benefit, by fostering early development and practical use of them by the private sector of the economy. Prior experience, in the judgment of the Patent Management Subcommittee, shows that the alternative to such beneficial utilization is, in effect, the burying of the patent because of the absence of parties willing to invest the necessary risk capital without more protection of that investment than a nonexclusive license.
>
> In light of the foregoing, it would appear that the granting of exclusive licenses limited as described above would most probably be characterized by the courts not as alienation of Government property by virtue of an assignment, but as a proper licensing method for the utilization of valuable Government patent assets.

The practice of granting limited exclusive licenses was endorsed by the Federal Council in October 1967 but, as previously mentioned, Presidential authority for the proposed program was four more years in coming.

In the interim, comprehensive licensing regulations were drafted by the Patent Management Subcommittee prescribing the terms, conditions, and procedures for nonexclusive and exclusive licensing of rights in domestic patents and patent applications. Once the revised policy statement had issued, these draft regulations were circulated by the General Services Administration for comment by such interested circles as industry, professional associations and government agencies. The Subcommittee considered the many comments received and made many revisions to the regulations in the light of these comments. Further revisions were made by the Executive Subcommittee, the Committee on Government Patent Policy and the Federal Council for Science and Technology before they were finally published[49] as part of Chapter 101—Federal Property Management Regulations of U.S.C. Title 41—Public Contracts and Property Management.

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[48] *Id.* at 122-23.

[49] *Federal Register* 38, No. 23, 5 Feb. 1973, 3328-31.

Government-Wide Procurement Regulations

It was obviously desirable that the governmental agencies implement the patent rights policy guidelines of the Kennedy and Nixon statements on a government-wide basis, with as much uniformity of implementation as possible. At the request of the General Services Administration, the Implementation Subcommittee of the Committee on Government Patent Policy undertook to draft an addition to the Federal Procurement Regulations which would prescribe policies, procedures, and appropriate contract clauses concerning the disposition of rights in inventions. This move promised for the first time to provide standard patent rights clauses for use in all contracts, subject to the Federal Property and Administrative Services Act of 1949. While the military departments, which conduct the lion's share of federal research and development contracting, are governed by the Armed Services Procurement Act of 1947, the coordination of the Federal Procurement Regulations and Armed Services Procurement Regulation treatment of rights to inventions, as set forth in the Presidential policy statements, enabled the achievement of essentially government-wide consistency in the matter.

The proposed regulations were circulated by the General Services Administration to industry, the patent bar and government agencies for comment. After extensive revisions based upon comments received, the regulations were issued by the Administrator of General Services on August 29, 1973, as an amendment to the Federal Procurement Regulations to be effective March 4, 1973.[50]

The Fruits of Three Decades

Three decades have passed since President Franklin Roosevelt expressed the need for a uniform government-wide policy with respect to the ownership, use and control of inventions made in the course of performing contracts financed by the United States. We have seen years of effort in the legislative arena toward such a single policy for all government agencies. In the past decade, two Presidents have sidestepped uniformity in favor of policy stands aimed at greater consistency among agencies. It seems fitting, three decades later, to take stock of our progress.

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[50] *Federal Register* 38, No. 170, 4 Sept. 1973, 23782-91.

A Bundle of Policies

The nation entered the postwar era not with a Federal patent policy, but with a bundle of individual agency policies. It took over a decade for the Congress to turn its attention to the problem. The next decade was spent under the bombardment of opposing partisans—those who felt that the public interest is best served by leaving commercial rights to government-sponsored inventions with contractors and those who felt, to the contrary, that public interest demands government ownership and dedication of such inventions. The net result was a standoff, with the Congress unwilling or unable to legislate a uniform government-wide policy. For almost another decade the issue has lain dormant insofar as the Congress is concerned. Meanwhile, the partisans favoring government ownership, relying on the political appeal of their position and the general indifference among the legislators, have continued to slowly expand their beachhead with title-taking amendments to many statutes as new technical agencies and programs come into existence.

A decade has now passed since the Executive Branch decided it was time for action to bring about greater consistency in agency practices, in order to further the governmental and public interests in promoting the utilization of federally financed inventions, and to avoid difficulties caused by differing approaches by agencies when dealing with the same class of organizations in comparable patent situations. What great strides have been made in reaching even this fall-back objective of the 1963 Kennedy policy statement? An analysis of the latest agency statistics on patent practice released by the Federal Council for Science and Technology[51] would seem to reveal few, if any.

Department of Defense, National Aeronautics and Space Administration and Atomic Energy Commission funds account for ninety percent of all inventions arising from government-sponsored research and development contracts. Many universities, nonprofit research institutions and industrial firms do business with two or more of these agencies. Have the policies of these three drawn closer together since 1963?

Department of Defense policy has traditionally been the target of title proponents. Prior to the days of the "flexible, but consistent"

[51] Federal Council for Science and Technology, Annual Report: 1971 and 1972, pp. 117-83.

solution of the Kennedy statement of policy, the Department of Defense used the general approach of a license clause in its contracts under which the contractor had first option to title in an invention. Under that practice, the government actually ended up with title to sixty-eight percent of Department of Defense contractor inventions disclosed in 1963. After 1963, that Department followed the Presidential policy guidelines and used title clauses where appropriate. Ten years later, in 1972, the government acquired title to sixty-seven percent of Department of Defense contractor inventions. Progress toward greater ownership of inventions by the government? None at all. It would seem that the Department of Defense probably now takes at time of contracting what contractors used to give back under the old practice.

The National Aeronautics and Space Administration and the Atomic Energy Commission started out as "title agencies" by statute. They still insert title clauses in their contracts ninety-nine and ninety-eight percent of the time, respectively. The National Aeronautics and Space Administration's "flexibility" of waiving title back to the contractor was used for five percent of its inventions in 1963, but only three percent in 1972. The Atomic Energy Commission has apparently not waived title to a contractor in the ten-year period.

The net result of the individual policy and practice of each of the three agencies has indeed remained consistent. However, as to greater consistency between different agencies, there seems to have been absolutely none.

Another comparison of interest can be made between the Department of Health, Education, and Welfare and the National Science Foundation. These agencies are engaged extensively in the conduct of research and development through grants to educational and nonprofit institutions. In 1972 the Department of Health, Education, and Welfare awarded 12,861 grants and included a title clause in eighty-nine percent of these. In the other eleven percent, the rights were left with the grantee, because of exceptional circumstances which the agency felt justified their exclusion of the clause giving title to the government. That Departmnet also awarded 3,410 contracts to institutions and industry for applied research. All but one of these contained a clause giving title to inventions to the government. One contract left title with the contractor based on the exceptional circumstances approach.[52]

[52] Its practice both as to grants and contracts would seem to support traditional reference to the Department of Health, Education and Welfare as a "title agency."

On the other hand, all but one of the 5,680 grants by the National Science Foundation contained clauses under which invention rights allocations are deferred until inventions are identified.

Other interesting observations might be made distinguishing the practice of the various agencies. Undoubtedly, each agency conscientiously interprets and applies the guidelines of the Presidential Statement of Government Patent Policy in a dedicated and effective furtherance of its particular agency mission. The point made here is that there is little justification for breastbeating on the part of the Executive Branch. It never tackled the tough problem of a single uniform policy for government which the Legislative Branch failed to resolve. Instead it took the position that uniformity is not the best approach but greater consistency of agency practices is. Data collected during this past decade of operations under the Presidential policy seems to indicate that things are about where they were in 1963. Each agency seems to proceed in conforming patent policy to its mission and its interpretation of the best interests of the public.

The same old bundle of policies is still with us. Any substantive consistency between agency practices is not apparent from the record. The case for flexibility rather than uniformity has not been proven—certainly not to the satisfaction of the partisans in the idealogical struggle between government versus contractor ownership of public-financed inventions.

Neo-opposition

Though we see little if any progress in reformulation and harmonization in government patent policy after three decades, credit is due the Executive Branch for some progress in inter-agency communication and cooperation as to its administration. As the result of the 1963 Presidential policy statement, executive agency representatives have been organized to attack patent policy problems of mutual interest and benefit. This inter-agency effort has produced such results as the government-wide procurement and licensing regulations mentioned *supra*.

With the promulgation of these regulations in 1973, the door seemed opened to orderly implementation of the Executive con-

Yet the record indicates that during the past nine years the Department of Health, Education, and Welfare has acquired title for the government in only 64% of the inventions disclosed. Compare this with the Department of Defense (a "license agency") acquiring title to 67% of its contractor inventions disclosed during the same period of time.

cepts concerning the allocation of patent rights to inventions and the movement of valuable technology to the commercial marketplace. However, this was not to be. In the period since the Congress had given up the attempt to legislate a government-wide patent policy, a new partisan had entered the debate. The self-styled consumer advocate joined the ranks of the liberal politician, economist and antitrust lawyer and became a latter-day attacker of the concepts of the patent system. Old watch-words like "give-away," "monopoly," "profiteering," etc., were made to order for the campaign mounted by consumer advocates in the press and the hearing rooms of Congress against any alternative to public ownership of government-sponsored technology. Not content with the "let's wait and see what happens" attitude the Congress had apparently taken toward two Presidential statements of patent policy, they seized upon the promulgated regulations of the General Services Administration as the opportunity to move the three-decade controversy into the courts.

The first blow for the cause was struck when Ralph Nader's Public Citizen, Inc., joining eleven Congressmen as plaintiffs, filed suit[53] seeking an order declaring unlawful and setting aside the promulgated licensing regulations. Plaintiff's subsequent motion for summary judgment was granted without comment on the argument of either party.

Argument in the case centered around the question of whether the grant of a limited exclusive license under a government patent is a *disposal* of property belonging to the United States, not authorized by Congress, and thus in violation of the Constitution.[54] Public Citizen, Inc. argued that the power "to dispose" should include the power to release or abandon an interest in property. Plaintiff further contended that government interest in a patent is indeed affected in that an exclusive license leaves the government with nothing to transfer to another party. It looked to the opinion of Attorney General Harlan F. Stone[55] in 1924 who, in concurring with the granting of a nonexclusive revocable license by the Navy, stated that:

> . . . Congress is the only authority to be invoked, where there is, in fact, an alienation or what amounts to a transfer or surrender of

[53] Public Citizen, Inc., et al., et al. v. Arthur F. Sampson, 379 F. Supp. 662 (1974).

[54] U.S. Constitution, Article IV, Section 3, Clause 2, gives to Congress the power "to dispose of . . . property belonging to the United States. . . ."

[55] 34 Op. Att'y Gen. 320 (1924).

> Government property, by which the title, control or possession of the Government is lost, reduced or abridged.

The right of the exclusive licensee to sue infringers was also cited by plaintiff as creating the situation where the Government can no longer exclude all others for it has given another the right to utilize its patent.

The government contended the grant of an exclusive license, severely limited as in the regulations, is not disposition but permissible utilization of United States property. This argument failed to stem the Court's order and judgment voiding the licensing regulations and prohibiting agencies from issuing licenses thereunder. Where its case fell short and what success the government can expect on appeal is speculation since the District Court decision is without comment.

On the heels of this first judicial victory in the long campaign to label the application of the patent system to government-owned technology as the "great give-away" of public property, the Nader forces moved again. A second thrust was made at defeating any government policy or practice which might permit patent rights to government-sponsored inventions to remain in the hands of its contractors. On February 15, 1974, Public Citizen, Inc., joining seven Congressmen as plaintiffs, filed suit[56] challenging the proposed amendment of the Federal Procurement Regulations dealing with the allocation of rights to inventions made under contract. This move against these implementing regulations seems clearly the first step in neutralizing both the concepts of the Kennedy and Nixon policy statements and the long-standing patent practices of the Department of Defense.

Plaintiffs argued that rights to patents and inventions developed pursuant to federally financed research and development contracts are government property; the granting of exclusive rights is a disposition within the meaning of Article IV, Section 3, Clause 2, of the Constitution; and Congress has not authorized the General Services Administration to grant exclusive licenses. In support of their position they were able to cite the widely circulated "Cramton Memorandum," an internal Department of Justice document written in October of 1972, warning of possible constitutional defects in the disputed regulations.[57]

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[56] *See* Note 53, *supra.*

[57] U.S. Department of Justice, Memorandum To: Mr. Bruce B. Wilson, Deputy Ass't Att'y Gen., Antitrust Div., From: Roger C. Cramton, Ass't Att'y Gen., Office of Legal Counsel, Subj: Constitutionality of Proposed Regulations Granting Con-

In addition to an attack on Plaintiffs' lack of standing to sue, the government's defense challenged both the existence of property and disposal. Relying on *Brenner v. Ebbert*[58] for the proposition that a patent application is not property, the government reasoned that *a fortiori*, a right to a future invention, which may or may not be patentable is not property. The government further argued that, even if inchoate rights in future inventions could be deemed property, the regulations do not authorize a disposition. The United States, like any private party, possesses the right to determine on what conditions it will deal and this includes the right to agree on the allocation of rights in possible future inventions. Therefore, the defense continued, since such interests can validly be made the subject of agreements, there is no inherent right of ownership in the United States and regulations do not constitute a disposal of its property.

Unfortunately, in its decision on July 2, 1974, the District Court dismissed the complaint on the ground that all plaintiffs lack standing to sue. The viability of the regulations and in the long run of the President's Statement of Government Patent Policy and Department of Defense patent practice remains under a cloud. The case has been appealed by the plaintiffs.

The outcome of these two suits by Public Citizen, Inc., et al.

tractors Greater or Principal Rights in Patents Arising Out of Government Research and Development Contracts (10 Oct. 1972).

> ". . . VII. *Legal Conclusions*
>
> It is our conclusion that the Government's contingent interests in patents arising out of research and development contracts are property rights subject to Article IV, Section 3 of the Constitution. Where these Government interests encompass the right to obtain title to a patent, any contract granting the contractor title or largely unlimited exclusive rights would be a 'disposition' of Government property within the meaning of the constitutional provision. We are not aware of any congressional enactment authorizing such a 'disposition.' In our view, Government contracting statutes do not provide an adequate basis for establishing an implied authority in the Executive to dispose of property as added consideration for a Government contract. Thus, in light of the above, we conclude that the proposed regulations, in the form in which they now stand, would permit action by the Executive Branch which in certain instances are constitutionally suspect. . . ."

The memorandum was said by then Att'y Gen. Richardson on Aug. 23, 1973, to represent "the official position of the Department of Justice." It was later disavowed in a letter to the Secretary of Health, Education, and Welfare on June 14, 1974, by the then Acting Att'y Gen. Silberman who said, ". . . after reviewing the aforesaid memorandum and letter, we have concluded that the memorandum does not accurately reflect what we believe to be the state of the law. . . ."

[58] 398 F.2d 762 (D.C. Cir. 1968), *cert. denied*, 393 U.S. 926 (1968).

could indeed have a far-reaching impact on government patent policy. If the practice of permitting contractors to retain commercial rights to inventions or of granting exclusive licenses is held unconstitutional, the patent policy and practice of executive agencies could be across-the-board title taking and essentially dedicating technology until the Congress enacts policy legislation. From the record of three decades of political struggle over government patent policy, there appears a strong likelihood that Congress either may fail to agree on a uniform policy or, if it does, it well may succumb to the political appeal of the arguments for "free access of technology" and legislate a government-wide title policy.

Options Revisited

The policy of consistency as an alternative for one of uniformity has had its chance. Eleven years have passed since its inauguration in 1963 by President Kennedy who deserves credit for at least some attempt at government-wide treatment of the distribution of patent rights as the Congress floundered. However logical and well intended the concepts of the Kennedy plan may have been, its results, when viewed with an objective eye, simply do not add up to a solution of the problem. Behind the facade of common guidelines and language, the kaleidoscope of individual agency patent practices still exists.

There is really no more satisfaction with government patent policy than there was a decade ago. The liberal Congressmen still show up each time a new technical agency or program emerges and demand free access to government-financed inventions. In support, the antitrusters still warn of patent monopolies and the consumer advocates have joined in with the allegation of usurpation of congressional powers. Patent lawyers still lead the bar groups and industry associations as they perseveringly resolve and bear witness against any attempt, executive or legislative, to claim title to contractor-generated inventions.

Not only has the Kennedy/Nixon policy of containment not worked, but it faces collapse in pending cases in which philosophy well may be a more persuasive factor than law. If it does tumble under the judicial gavel, it could carry down with it traditional practices of agencies such as the Department of Defense, the National Science Foundation and the Department of Commerce.

Like it or not, we may be back to the original options—uniform title policy versus uniform license policy. Respective protagonists

continue to sing the praises of each. Philosophies, slogans and allegations are abundant, convincing facts are not. In the course of three decades neither camp has made a case for its cause. Arguments for either policy will not stand up if reviewed without bias, emotion, indifference or just plain lack of knowledge.

The Title Myth

The major reasons usually cited in support of adoption of a uniform title policy for government agencies for federally financed research have been summarized[59] as follows:

> (1) The Government bears the cost for developing the invention and therefore the Government should own title to the patent which results.
>
> (2) The Government should have title to any such patents in order to insure widespread access to new knowledge (meaning a new invention) which has been produced by an expenditure of public funds.
>
> (3) The Government should have title to all such patents in order to prevent undue concentration of economic power in a few large business firms.

The industrial employer engaged in competition of manufacturing and selling products hires research employees, providing them with job security, benefits, facilities, know-how, assistants, etc., so that he may be provided constantly with inventions upon which to base protected new products for the marketplace. On the other hand, the government is not a competitive supplier of goods. Its research and development dollars are spent to obtain technology as to better ways to achieve government program objectives. The government grants its research contracts on the basis of experience, knowledge, and know-how (often proprietary) developed by private industry. It simply takes advantage of a situation which exists and it puts up some of its own money to reduce ideas and know-how into a state useful to the government. That is what the government bargains for and what the government pays for when it enters into a research contract.

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[59] U.S., Congress, Senate, Select Committee on Small Business, *Government Patent Policies in Meteorology and Weather Modification,* Hearings before a subcommittee of the Senate Select Committee on Small Business on The Effect of Federal Patent Policies on Competition, Monopoly, Economic Growth and Small Business, 87th Cong., 2d sess., 1962, p. 190; *see also,* U.S., Congress, House, Committee on Science and Astronautics, *Patent Policies Relating to Aeronautical and Space Research,* Hearings before a special subcommittee on H.R. 1934 and H.R. 6030, 87th Cong., 2d sess., 1962, pp. 132-3.

No contract requires that an invention be made. Invention is no more than a by-product of research—a largely unpredictable and fortuitous event, not comtemplated nor bargained for at the time of contracting. There is no extra pay for the contractor if an invention is made, nor default if an invention is not made. The contractor is not rewarded for either the quality or quantity of inventions contributed under the contract. The government receives its quid pro quo when the research work under the contract is performed and the technical knowledge gained is available for government use.

If by chance an inventive by-product of the research eventually appears on the commercial marketplace by reason of expenditure of private risk capital for development, production and marketing, the public gets an added advantage of availability of the product. Return on risk capital and possible profit is not a second payment by the tax-paying consumer for the research and technical information originally contracted for by the government.

Do government-owned patent rights ensure greater dissemination or utilization of technical knowledge? There is nothing in past experience which would support such an assertion. To contend so seems to be either a denial or a misunderstanding of the concepts of our patent system, which is allegedly designed to encourage (1) the making of inventions, (2) the disclosure of inventions and (3) the commercial utilization of inventions.

As to disclosure, all technology, inventive or not, which is generated under government-sponsored research and development is required to be documented and reported. This technical information (unless restricted for national security purposes) is in turn available to the public and in many instances actually communicated to the public through various channels and media. It is free to act as a liberating force in the economy serving to stimulate change and progress. Thus government procedure in itself tends to accomplish the disclosure objective of the patent system.

As to the spark of genius, there are economists and other disbelievers in the patent system who steadfastly contend that inventions have been and will continue to be made with or without a patent system. Maybe this is so. At least we would not argue the point where government-financed inventions are made. However, authorities from the business world estimate that for each dollar spent for inventive activity, ten dollars is required for development of a working model and one hundred dollars to create productive facilities, inventory, and distribution channels necessary to create a

commercially acceptable product.[60] Herein lies the real intent and function of our patent system—to protect the investment risk of bringing to the marketplace untried inventions, which would otherwise not come to fruition, to add to the general well-being through the creation of new industries and job opportunities, the collection of additional tax revenues and the increased standard of living of society.

The creation of inventive technology and its widespread access serve little public benefit if only used by governmental agencies. Proponents of the title policy are quick to cite examples of government inventions which have been commercialized on a nonexclusive basis. Invariably, such well-known products and processes as granular fertilizer, aerosol dispenser, dehydrated potato flakes and frozen orange juice concentrate are the examples used. Characteristically, these inventions prove to be the few which are fully developed and highly promoted for the commercial market by government agencies. These are atypical to the government's portfolio of inventions which in the main would require further risk capital to develop and market in commerce. When government-owned inventions, taken as a whole, show a record of commercial utilization of less than three percent,[61] the case for government ownership and public dedication seems weak indeed.

Lastly, the fear of undue concentration of economic power in a few large firms, should government not retain title to contract-originated inventions, makes for good political and antitrust speeches, but it has never proven to be more than conjecture on the part of its proponents. With government ownership, the large firm with its available finances, credit, experience as well as its superior technical, advertising and distribution facilities and its freedom to adopt all government inventions might easily crowd out its smaller competitor. In many instances, small business would obviously be handicapped more by a title policy in government than would big business.

Furthermore, for years now, the antitrust pressures with respect to patents have been so intense that every patent owner lives in a fish bowl. The antitrust laws provide such adequate protection against misuse that the slightest deviation from strict compliance with the spirit and letter of the law subjects the patent owner to the

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[60] Holst, "Government Patent Policy—Its Impact on Contractor Cooperation With the Government and Widespread Use of Government Sponsored Technology," 9 IDEA 285 (Summer 1965).

[61] *See* Note 42, *supra.*

danger of having all of his patents confiscated and destroyed.[62] The truth of the matter is that the practice of firms holding patents on inventions generated by government contract tends to indicate the opposite of any intent at concentration. A Harbridge House study of the effect of patent policy on business competition found that less than one percent of the owners of government-sponsored inventions refused to license their patents to others.

On the other hand, ownership of patents by the government does not necessarily assure a dilution of the economic power of the large business firms, even if such concentration might exist. Much of the government's research and development work is conducted by large firms, selected because of their wealth of experience and background in the particular field. Use of an invention is, in many instances, possible only with the know-how and proprietary background rights in possession of the contractor who produced the invention for the government. The problem is that the producer is not willing to give this up to a competitor who might otherwise be free to use the invention if the patent is owned by the government and competition in the field stands little chance of being increased.

Whenever this argument of the risk of economic concentration unless a title policy is adopted has been reviewed in depth and reported upon, the conclusion consistently has been one of rejection.[63]

The License Myth

The major reasons usually cited in support of adoption of a uniform license policy on patents originating under government-financed research have been summarized as follows:[64]

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[62] Gorn, "Toward a Sound National Policy for Disposition of Patent Rights Under Government Contracts," 21 Federal Bar Journal 118 (Winter 1961).

[63] Note 8, *supra* at 381.

> "Conclusions
> . . . That undue concentration would result from the license policy is a possibility so negligible that it may be disregarded. . . ."

Government Patent Policy Study—Final Report, Vol. 1, by Harbridge House, Inc. (Washington, D.C.: Government Printing Office, 1968), p. ix.

> "Summary and Analyses of Findings
> . . . Based on all observations of the sample inventions we have found little evidence of adverse effects on business competition by permitting contractors to retain title of Government-sponsored inventions. . . ."

[64] *See,* Note 59, *supra.*

> (1) Private title to patents resulting from such research is basic to our free enterprise system, and in keeping with our traditional patent system.
>
> (2) Private title to such resulting patents is necessary as an incentive to encourage private industry to accept Government research and development contracts to help keep the cost of Government research lower than it otherwise would be, as well as to insure that the best research talent is assigned to the project.
>
> (3) Private ownership of such patent rights is necessary to permit commercial development of a new invention; if a patent is owned by the Government and presumably available to all on the same basis, no firm is likely to risk spending the necessary amount to develop the invention commercially because a competitor could move in as soon as the new invention was marketable and get all the advantages without incurring any of the development costs.

To argue free enterprise and the tradition of the patent system resounds more in philosophy and emotion than it does in law and economics. The federal government now supports almost two-thirds of the research and development performed in this nation. Since it is not a producer of goods, it has the obligation to see that the resulting technology is infused into the national economy to the greatest extent possible. Whenever possible this should be accomplished by free and competitive enterprise by the private sector. If it takes the incentive of the traditional patent system to accomplish public benefit of this technology in the marketplace, that incentive should be brought into force regardless of whether title to inventions involved rests with government or its contractors.

The incentive argument made in behalf of a uniform license policy makes sense in theory. The need by the Department of Defense for a high-altitude fuel pump could result in a research and development program which might interest a company or corporate division which normally competes for the household products market. However, without patent rights, could an old line pump manufacturer afford to get involved in using its years of background, know-how, etc., to develop a pump which might interfere with its product line? Likewise, the same household products company might be very reluctant to take a contract from the Department of Agriculture, for example, to develop a consumer product which might overlap the company's commercial objectives.

The logic is certainly there. However, much like the conjectures put forth by title proponents, this rationale for license policy has not been supported by the record. Patent lawyers indefatigably journey to the halls of Congress with this warning while the captains of industry stay at home vying for more and more government research and development business. Agency experience

indicates there has been no lack of qualified and competent research contractors, large and small, vigorously competing for more and more research and development assignments notwithstanding the supposedly low profits involved. No evidence has been presented of increased cost or less assiduous work performed due to patent rights provisions in contracts.

Have industry managers continued to seek research and development contracts regardless of patent rights involved because of patriotism or concern for public image or fear of bureaucratic or stockholder wrath? Or could they be attracted by the money, ideas, skills and training flowing with government sponsorship that satisfy corporate objectives and enhance competitive position? In any event it is going to take more than the word of the patent bar to rekindle support in Congress for this argument.

Incentive for commercial utilization is undoubtedly the best argument for leaving title to government-sponsored inventions with the contractor. As previously pointed out, the act of invention is but a small part of the story behind a marketable product. Few inventions will not require further development to produce a commercially competitive model. There are none, however, that will not require further investment for manufacturing and marketing. It is a rare case, indeed, where the prudent businessman would invest risk capital to create a demand item if he had to compete with others who would not have to reflect these costs in the market price of an imitation product. Certainly the poor record of commercial utilization of government-owned patents available to all takers gives credence to the old adage "that which is available to everyone is of little value to anyone."

Unfortunately, this is another instance where the argument when used to sell a uniform license policy breaks down in the face of the record. Those in the private sector who have retained commercial rights to government-financed inventions have not held up their end of the argument. The name of the game is putting inventions to commercial use so that the consumer can benefit from the public investment in the initial research. If government ownership and nonexclusive licensing (tantamout to public dedication) has failed as an effective conduit for bringing technology into commercial being, contractor ownership has done little better.

Each time someone attempts to look into use made of contractor-retained inventions, the same disappointing picture appears. In 1961, the Senate Subcommittee on Patents, Trademarks,

and Copyrights studied the matter and reported[65] "of the 3,700 patents obtained by the 75 contractors on these inventions during the period 1949-59, less than 10 percent are in commercial use." In 1963, under a study made for the Patent, Trademark, and Copyright Research Institute of The George Washington University, it was reported[66] "of the total of 143 patents 19, or 13 percent, were reported commercially used currently or at one time." In 1968, Harbridge House in its study reported[67] "contractors and licensees reported only 251, or 12.4 percent, of all inventions in the survey response in use."

More recently, this writer's agency has made two sampling surveys which also showed poor results by contractors in achieving commercial utilization of retained inventions. The first was in response to a 1971 request for information made by the University Patent Policy Ad Hoc Subcommittee of the Federal Council for Science and Technology Committee on Government Patent Policy. Results showed that during a five-year period (1965-69) some fifty-eight patent applications were filed by educational and nonprofit institutions on inventions made during performance of research under agency-sponsorship. Information furnished by these institutions in 1971 indicated that none of these inventions had been brought to the point of practical application. The second survey reviewed the use made of forty-two agency-sponsored inventions three years after patenting by industrial contractors. None of these inventions were reported by the contractors as being used.

In the end what do we have? The defense contractor, for example, is selecting those contract-generated inventions in which it wishes to retain title (commercial rights) for itself. The expense of preparation and prosecution of patent applications for the protection of the inventions is borne by the government as an allowable overhead cost because of the government's protection as a nonexclusive licensee. Resulting patents are eventually added to the corporate portfolio with apparently little chance of contractor investment to bring the invention involved to the marketplace. The patent rights are usually made available to others on a nonexclusive basis which fails to attract commercial utilization just as nonexclusive rights to government-owned patents do.

As previously noted, the case for government ownership and dedication is built upon philosophy and allegation and not upon

[65] Note 28, *supra* at 6.
[66] Sanders, Note 42, *supra* at 173.
[67] Harbridge House, Note 63, *supra* at 1-6.

convincing facts. To be totally objective about government patent policy, is it too cynical, in view of the record, to question why the private sector persistently argues for retention of title to contract-originated inventions and what purpose it serves?

A review of the traditional public position of patent and industry associations tends to show that their arguments, be they legal, equitable, moral or even public interest considerations, pyramid to a common apex. This apex is the right to the ultimate use of the invention on the commercial market. In the past ten years, in Department of Defense research and development contracting alone, this right has been acquired for almost 13,000 inventions. Contractors have elected to protect and contract funds have paid for this number of patents on contract inventions. Assuming a conservative figure of $1,000 per patent, the taxpayer has invested at least an additional $13 million in protecting inventions few of which, according to the surveys, ever reach the commercial marketplace.

Since there is no evidence of financial bonanza in the form of either sales or royalties, there must be other advantages which figure into industry's desire for patent rights which are more subtle than its publicly acclaimed need for marketing incentive. Most business judgments are based upon cost/benefit factors and it seems reasonable to assume that patent protection is approached on the same basis. With the cost of patenting chargeable to the contract, possible benefits a patent on government-financed technology might provide for the contractor must control the corporate attitude.

Government research and development is generally placed with firms which have experience and expertise in the particular area of technology under investigation. Normally, such a firm produces commercial products related directly or indirectly to the technology. As a result, inventions made are within the firm's product line or on the fringes thereof. Apparently, an invention is rarely of such significance as to persuade the firm to change its product line or to modify its existing product model to accommodate the new technology. Why then should the firm bother to patent the invention?

First, the firm is not alone in the competition for commercial sales of its product line. Free access to the invention by a competitor might move a competing product to a closer challenging position at the marketplace. Thus, even though a contractor might not wish to produce the invention himself, the ability to prevent

production by a competitor or more likely to influence the competitor's selling price through royalty charges, protects the flanks of the contractor's product line. Nor is the future always predictable. Especially with regard to peripheral or component technology, there is always the possibility that the contractor might want to get into the market at a later time; or use the patent right to get a better deal from or license his supplier; or use the patent for trading and cross-licensing purposes.

Many firms, especially those who have no antitrust uneasiness, find comfort in a sizeable patent portfolio as a symbol of corporate prestige, reputation and strength to the trade, the consumer and the investor. Patents also serve as a form of recognition to employee-inventors and are looked upon as incentive in recruitment, retention and productivity of a technical staff.

Thus with these benefits in the offing and the government bearing the costs involved, it is not surprising that corporate management and patent directors use patents to government-sponsored technology as protective moats around corporate interests. Attitudes of "what have we got to lose" and "better safe than sorry" well might be the answer as to why contractors who seldom market contract inventions still fight so vigorously for title to them.

As with the policy of title-taking and with the policy of flexibility, the concept of license policy under government-sponsored research and development contracting has had its chance for many years and had not had a case for it made by its advocates.

Needs and Objectives

Government policies are instruments. They are means to ends. If a patent policy for government research and development contracting is to be workable and effective it must accomplish the ends or objectives which those affected by it seek. The parties involved in this instance are the government, the contractors, and the public who pays the bill. It should not be too difficult to come to agreement on fair and reasonable needs and objectives of each.

Government

All government bodies are charged with particular missions and responsibilities. Those that provide for the national defense or improvement of the public welfare seek better devices, systems and services directly needed to carry out their governmental function.

This is accomplished with the improvement and advancement of technology brought about largely through contracts for research and development with the private sector. Efficient and economic procurement of this service requires the encouragement of maximum participation of the private sector in government-sponsored research programs and the availability of the most capable organizations in the relevant fields of interest. The government/industry relationship must in turn provide for wholehearted and enthusiastic support of the contractor. It must insure a willingness to devote best talents, pertinent background, existing technology (whether proprietary or not), facilities, and all other resources to the work of the government. There must be no holding back in any regard—no isolation of personnel, technology or skill which shuts off any ability of any type which would contribute helpfully to the direct and vital interests of the government's quest for the improved technology.[68]

A second objective of agencies engaged in research programs is to encourage widespread use of the improved technology beyond just governmental use but to still higher ends of national policy including promoting scientific progress, the advancement of knowledge generally, and above all, economic growth.

Other agencies and bodies, both executive and legislative, have as a part of their missions a watchdog responsibility to oversee the public impact of government operations. Their objective with regard to the functioning of government patent policy and practices is to guard against undesirable legal and economic side effects not in the public interest.

Contractor

When a competent contractor participates in federal research and development ventures, his desire, insofar as the government's patent policy is concerned, is for equal and fair recognition by all contracting agencies of the equities he brings to the project. He seeks predictability as to protection of those equities at the time of contracting and not after the fact. With assurances as to patent rights when the contract is signed, he may then more freely apply his best technical expertise and privately developed proprietary information without fear of losing all rights as the result of his participation in government research.

Basically then, the contractor's objective is the option to commer-

[68] Note 60, *supra* at 111.

cially exploit inventions which might arise during the performance of research under the contract. These inventions, in his opinion, involve a contribution over and above the mere technical research services paid for by the contract price. They represent his past investment in expertise and know-how, etc. which must be protected and recovered.

Furthermore, he faces many built-in deterrents to commercialization of an invention: the usual high cost of development; the risk of failure, either because the public will not accept the new product or because the process will not be commercially satisfactory; the risk that the process or product may soon become obsolete; the risk of imitation; etc. To enable him to protect risk capital and to recover past investment, free from unfair competition from other commercial practitioners of the invention who have not made the same or similar capital investment, the contractor needs to be guaranteed the exclusivity afforded by the patent system.

Public

Agencies such as the Department of Defense tend to view public interest in patent policy in terms of "more bang for the buck." Improved national defense for the least cost has got to be first concern of this mission-oriented agency. Other public objectives quite naturally are secondary.

However, since government is the servant of the people, those public needs to be served by government patent policy become the government's objectives by definition. For example, an effective policy must preclude undesirable economic consequences such as concentration of economic power in industry, oppressive monopolies, absence of competition in the marketplace, and the like. These are legitimate public interests which are policed by laws and regulations covering all government policies and commercial practices. Since the record shows little chance of abuse of these interests as the result of patent policy, the prime public objective which the government's patent policy should accommodate is the public benefit received for the scientific research which the public has paid for.

At the present time, the public is being taxed at an annual rate of $20 billion for government-sponsored research and development. The major portion of this is directed toward national defense and space accomplishments. However, the knowledge generated involves all branches of technology. If it were channelled to commer-

cialization, in all probability the national economy would be enhanced, new business enterprises would be organized and the operations of existing business enterprises expanded, with resulting increase in employment, improvement in the standard of living, improvement in choice and benefits to the consumer and increase in tax revenues. As the real purchaser of research, the taxpaying consumer is entitled to the additional commercial benefits from his tax dollar.

A patent policy which deprives the public of prompt and efficient commercial utilization of new technology developed under government-sponsored research and development fails to give the public full return on its investment. This is a public objective which the patent policy of the federal government should not allow to be eclipsed by the objectives of the program agencies, the contractors or the competition watchdogs.

A Plan To Meet Needs and Objectives

Policy

"Miles' Law" says that where one stands on any issue depends on where one sits. So it has been with proposals for government patent policy. Proponents of both title and license policies continue to define the public interest in terms of their own objectives. As the debate goes on and on, the need of the public for the return of technology to the marketplace remains as far from satisfaction as it ever was. If the problem is ever to be resolved, it would seem that what is needed is a patent policy that satisfies the needs and objectives of government programs, industry equities and consumer use. If it does this and at the same time brings uniformity to the government's treatment of its research contractors everyone stands to gain.

Accordingly, it is proposed to formulate a government-wide policy which would use a uniform contract clause for a single disposition of patent rights in all instances. Under the plan, title to all subject inventions generated under government-sponsored research and development contracts would vest in the government. In furtherance of the public interest at the commercial marketplace, the contractor would have an automatic option for authorization by the government to commercially develop and market an invention made under contract.[69] Such commercial authori-

[69] In 1971, as a member of a task force under the Commission on Government

zation would be revokable by action of the government upon failure of the contractor to meed such conditions as hereinafter provided.

Procedure

Under this proposal, a uniform patent rights clause would be used in all research and development contracts by all agencies for all types of technology with all types of contractors. This clause would form the basis for the following outline of procedure:

1. *Disclosure and Declaration.* Each invention conceived or first actually reduced under a government contract would be disclosed to the government and accompanied by a declaration by the contractor of its interest in commercializing the invention.

a. *Interest.* A declaration of interest in commercialization by the contractor would include an agreement to prepare and file an application covering the subject invention in the U.S. Patent Office[70] within a specified period of time.[71] Such declaration and

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Procurement, this writer recommended what was basically this plan and procedure as the alternative to wasting time trying to choose between the age-old solutions of license or title policy. For the most part, industry representation on the task force clung to the license policy normally used in defense contracting as the appropriate proposal to be made to the Commission. The stand-off resulted in the task force report reading as follows:

> "A. With the exception set forth in 5(A)(3) below, contractors shall be guaranteed at the time of contracting a first option to the exclusive commercial rights in all inventions made in performance of government-funded contracts. (The term 'exclusive commercial rights' should be understood to include either title to the invention or an exclusive license thereto with the exception that as the term relates to foreign patents or patent applications it means title)."

Thus, instead of making a bold and constructive move to resolve the long-standing dilemma, this proposal begged the issue and passed the buck to the Commission.

The Commission in turn took the easy way out in its final report. It concluded that any substantial changes in law and policy in this area should await further assessment of the actual experience under the revised Presidential Statement of Government Patent Policy. If evaluation of experience under the revised Presidential policy should indicate a need for further policy revisions, the Commission urged that there then be consideration of an alternate approach allowing contractors to obtain commercial rights but subjecting these rights to a strengthened "march-in" procedure.

[70] Expense of preparation, prosecution and fees connected with the patenting of the invention should be shared by the government and the contractor. Since the movement of government-owned technology to the commercial market is in the public interest, the government should contribute to the cost of its protection to that end. Also if the contractor feels that authorization to commercialize the government's invention is of value, it should be willing to share equally in the cost

subsequent filing would assure the continuation of commercial authorization by the government for a period of two years from the date of disclosure, for the purpose of further determining the degree of patent protection obtainable and market potential and for developing a plan for commercial utilization.

b. *No Interest.* A declaration of no interest in commercialization by the contractor would terminate the commitment for commercial authorization.[72]

2. *Plan for Commercial Utilization.* Two years after disclosure of an invention and declaration of interest, the contractor would present in writing a plan acceptable to the agency for commercial utilization of the invention[73] within a period not to exceed three years. In special circumstances where a three-year timetable was shown as not feasible, the agency could extend the period for commercialization as appropriate.

a. *Plan Content.* The contractor's plan for commericial utilization should cover its general scheme for development, promotion and marketing including estimated resource commitments and time schedules. The plan should provide greater impetus to consumer accessibility than mere availability for licensing and the contractor not capable or not planning to manufacture and market the invention on its own would be expected to assume accountability for commercialization and would specify the cooperating industrial concern(s) to be involved.[74]

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of patenting. Furthermore, this should help avoid any tendency toward superficial evaluation of the commercial potential of the invention by the contractor. Legal title to the application and patent covering the invention would be in the government.

[71] A reasonable period of time for filing would be the provision of the Armed Services Procurement Regulation, § 7-302.23 requiring that the contractor shall within six (6) months after election (or such longer period, not to exceed one (1) year after election, as may be authorized by the contracting officer) file or cause to be filed a patent application in due form. This would assure reasonable promptness to avoid loss of rights and delay in ultimate commercial application.

[72] An invention declared to be of no interest to the contractor would be evaluated by the sponsoring agency to determine desirability of patenting to protect government use and future commercial authorization. An invention not patented by the government would be dedicated to the public.

[73] Guidelines would be developed to assist agencies in evaluating plans for utilization.

[74] Universities, non-profit institutions and other contractors not engaged in manufacturing should be allowed to profit from their equities in inventions the same as industrial producers. However, commercial utilization is the prime concern behind authorization by the government to exploit its technology and experience has shown that willingness to license, standing alone, has a poor record for accomplishing commercialization.

b. *Progress Reports.* During the period covered by the plan for bringing the invention into commercial utilization, the contractor would provide the agency with periodic reports setting forth the progress made relative to the approved plan.[75] A subsequent declaration by the contractor of disinterest or abandonment of the plan to commercialize the invention (or evidence of such disinterest or abandonment) or unreasonable failure of progress would be cause for steps by the agency to revoke its authorization and to seek others to commercialize the invention on a nonexclusive or exclusive basis as required.

c. *Final Report.* At the end of the period agreed upon for commercialization, the contractor would report to the agency whether or not utilization as covered in the plan has been achieved. If utilization has not been achieved, the agency would take steps to revoke the commercial authorization unless satisfactory evidence is presented that the time for commercial utilization should be extended further.

4. *Continuing Rights.* Whenever commercialization is shown to have been achieved by the contractor or its licensee within the time agreed upon by the agency, the commercial authorization would be continued for another seven years subject to provisions set forth in paragraph 5 below.

5. *Provisions.*

a. The contractor, as the sole commercial authorizee, would be permitted to authorize others to market the invention on a nonexclusive or exclusive royality-bearing basis.

b. If the contractor permits utilization to cease, the agency could require the contractor to authorize a responsible applicant to market the invention on a nonexclusive or exclusive basis and on terms that are reasonable under the circumstances.

c. Any invention—

(1) the developmemt of which was intended for public use; or

(2) which is required for public use by government regulations; or

(3) which is directly concerned with the public health, safety or welfare; or

(4) which is in a field of science or technology in which

[75] An annual report of simple format requiring a minimum of administrative effort on the part of both the contractor and the agency should be sufficient to insure good faith and reasonable progress in the contractor's efforts to return the technology to the public on the commercial marketplace.

there has been little significant experience outside of work funded by the Government or where the Government has been the principal developer in the field—

to which the contractor continues to retain exclusive commercial authorization must be made commercially available to adequately fulfill market demands and at a reasonable price under the circumstances. If the contractor fails to so commercialize the invention, the government could require the contractor to authorize a responsible applicant to market the invention on a nonexclusive or exclusive basis and on terms that are reasonable under the circumstances.

d. Failure on the part of the contractor to carry out any requirements in paragraphs b and c above, subject to appropriate review as set forth below, would be reason for the agency to terminate the exclusive commercial authorization.

e. If for any of the specified reasons the contractor's exclusive commercial authorization should be revoked, he would retain a nonexclusive royalty-free authorization under the invention, revokable only upon determination by the government that exclusive authorization to another party is needed for commercialization.

6. *Patent Rights Review Board.* An interagency review board[76] should be established to resolve matters concerning:

a. Dispute as to acceptability of a plan for commercial utilization of an invention.

b. Dispute as to acceptable progress under a plan for commercial utilization of an invention.

c. Dispute as to time allowed for commercial utilization of an invention.

d. Dispute as to actual achievement of commercial utilization of an invention.

e. Determination relating to commercial authorization to others where:

(1) Commercial utilization has lapsed;
(2) Market demands are not met;
(3) Market price is unreasonable; or
(4) Royalty rate is unreasonable.

[76] Preferably, this Board would not involve the establishment of a new government agency. An administrative staff comprising an Executive Secretary and appropriate clerical assistants attached for logistic and technical support to such an office as the new Office of Federal Procurement Policy of the General Services Administration should suffice. Board members could be designated by agencies involved in contract research and development programs and could review cases coming before the Board sitting in panels of three members.

f. Any action of revocation of the contractor's commercial authorization by an agency.

Advantages

The government-wide use of a single patent rights clause vesting legal title in the government with a guarantee at the time of contracting to the contractor who can profit commercially by active pursuit of the market should present a policy which most nearly attains the goals of uniformity, predictability, participation, utilization, competition and administrative ease.

First of all, every agency would treat every contractor and every technology alike with regard to the distribution of rights in inventions resulting from government-sponsored research and development.[77] This is as it should be. A "flexible" patent policy which is all things to all people has done little more than perpetuate the state of general chaos and dissatisfaction. The private sector is entitled to be able to deal with the many different representative agencies of the federal government under uniform conditions. The agencies, who seek capable research assistance from the private sector to carry out programs, should not be competing with one another in terms of patent policy. Executive direction and congressional overseeing of the functioning of government should not be subjected to a potpourri of agency policies.

This plan has the attraction of the present license policy of the Department of Defense for the serious entrepreneur to step forward and undertake government research and development work, apply his most effective resources and produce a quality product. If offers the contractor predictability at the time of contracting as to his commercialization of possible inventions with equal and fair consideration of his equities. The fate of his guaranteed option to protect his investment in expertise, know-how and commercializa-

[77] While this paper is addressed to the question of relative rights of the government and its contractors to inventions, this writer sees no compelling reason why the same patent policy should not be equally applicable to government employee-inventors. That the government employee should have less an opportunity to profit commercially from an invention than say a university, institute or other nonmanufacturing contractor seems neither equitable nor practical. If the employee-inventor, who certainly has the greatest technical expertise in the invention, has sufficient "get-up-and-go" to have the invention developed and marketed through an intermediary, why should the public not benefit from this technology also? The same advantages to all parties would apply and the government would then truly have a single uniform government patent policy for all of its sponsored research and development.

tion is affected only by action on his part to fail to properly pursue the market. Agency attitudes and requirements concerning details of commercialization are reviewable by an interagency board which is a safeguard for the contractor and a force toward uniformity of approach.

By providing an incentive to participation, the plan should maximize interest and competion in government research and development contracting. As to competition at the marketplace for the individual invention, it is a moot question if no one is willing to invest risk capital for commercial development and marketing. Control of commercialization remains in the hands of the government. The deal is use it or step aside and let someone else use it. With legal title in the government, the contractor's exclusivity can be revoked administratively upon failure to move the technology to the marketplace. On the other hand, to leave legal title in the hands of the contractor, could require legal action by the Department of Justice for the government to gain control in the event of a contractor's suppressing the technology by failure to commercialize.

The system initially places the commercial development of an invention in the hands of the party normally most likely and capable of accomplishing the task and provides the incentive for the risk capital required to bring it to the marketplace. The right of the government to authorize commercialization by others or require the contractor to do so upon failure to properly commercialize also provides greater assurance of utilization of government-financed invention. Thus the dominant public interest is served. This is the maximum opportunity to see tax-supported research and development returned promptly and effectively to public use in the commercial marketplace. With this, the taxpaying consumer has the opportunity and right to purchase a product he invested in or ignore it in favor of an alternative product. At the same time the public gains from all the benefits to the economy which flow from the additional commercial activity.

Insofar as technology relating to public health, safety, etc. is concerned, the control of market satisfaction and price by either the government or third-party interest should produce the effect of open competition. Other government-sponsored technology placed on the commercial market will have to compete in price and quality with alternative products. The appearance of government technology on the commercial market provides a healthy stimulus

to "leap frog" technology by the private sector as competitors vie for the public's business.

Finally, the contractor, the government and the taxpayer all stand to gain from a government patent policy that provides for ease of administration. The rules of the game are uniform and clear for the contractor. He knows what his rights will be as long as he holds up his end of the bargain. His accountability to the government for progress and accomplishment of commercialization is no more, and probably less, than the intra-organization control kept on any other product marketed. The federal agencies would be freed of the struggle over selection of appropriate patent rights clauses that goes on under the present "flexible policy." Fewer patent attorneys should be needed to protect government-owned inventions if contractors see an incentive to assume commercialization. All of this benefits the taxpayer who pays the bills in the end.

Government Licensing

This proposal, thus far, has concerned itself primarily with the control and use of inventions made under government-sponsored research and development contracts. The federal government has in its portfolio some 25,000 patents covering inventions made by government employees or contractors under present "title circumstances" or in which the employees or contractors concerned have waived the opportunity to claim title. This is a correlated condition which also deserves attention. Over the years, objection has been raised to the government taking title to inventions and then doing nothing with them.[78] The unpredicted phenomenon of government predominance in research and development since World War II has generated in the government's hands the largest portfolio of patent rights in the nation. Because the government has practiced a policy of ignoring the function of the patent system, this vast property holding is nullified with the result that publicly-financed technology is not returned to the public in the commercial marketplace.

It must be recognized that the plan outlined above, which inaugurates a "fish or cut bait" policy with regard to contractor utilization, might well tend to increase government title holdings.

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[78] Forman, "Statement Before Subcommittee United States Senate," 47 J.P.O.S. 807 (Oct. 1965); Watson, "Management of Government-Owned Inventions," 21 Federal Bar Journal 123 (Winter 1961):

With the failure of Congress to act, it is imperative that the Executive Branch, as custodian of government patent property rights, go it alone if necessary and couple the plan with a viable administrative solution which will utilize these rights for public benefit. The logical approach is the comprehensive licensing program recently promulgated by the Administrator of General Sevices and now pending before the courts. Judgment based on the law of patent licensing and not ideology should support this as a valid use of government property and not an unconstitutional disposal of property.

Patent property is unique and in a sense *sui generis*. Patents are created solely by federal statute and their status, ownership and mode of transfer are controlled by legislative enactment.[79] Therefore, it is necessary to look to the federal patent statutes when dealing with patents to ascertain the property interest involved and to determine by whom and how this property can be transferred or alienated.

The property right represented by patent ownership is probably one of the most misstated and misunderstood principles in the law. The Act of July 4, 1836, ch. 357, § 4, 5 Stat. 119, confusingly defined the rights granted to a patentee as "the full and exclusive right and liberty of making, using, and vending to others to be used, the said invention and discovery." This misguidance has been repeated in succeeding acts and many court opinions over the years.

Obviously, it is not the statutory patent grant, but common law which gives the right to make, use and vend an invention[80] and even a patentee may be unable to practice his invention (or transfer

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"A patent is a public asset of great value when it is used as it is intended to be used and the fact that its holder may profit substantially because of his freedom from competition for a limited period is a happy circumstance which justifies the patentee's effort and encourages others to become active. The patent itself sells nothing and the public is always the ultimate judge as to whether or not the invention is worthwhile since it will not be accepted if not beneficial or if too highly priced.

When it is not put to the use intended, as when it is held by Government and the invention covered thereby is made available to all, the patent has but little greater value than any other printed disclosure of the invention."

[79] *See* Crown Die & Tool Co. v. Nye Tool & Machine Works, 261 U.S. 24 (1923); Gayler v. Wilder, 51 U.S. 477, 494 (1850).

[80] *See* Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405 (1908); Crown Die & Tool Co. v. Nye Tool & Machine Works, 261 U.S. 24 (1923); L. L. Brown Paper Co. v. Hydroiloid, Inc., 32 F. Supp. 857 (D.C.N.Y. 1939).

that right) because of a patent granted on a prior dominating invention.[81] Since the right to make, use and sell the patented article is not derived from the patent,[82] the right cannot be transferred to a licensee.

As elementary as this concept is, the patent property right, "the right to exclude others from making, using or selling the invention,"[83] was not accurately defined in the patent statutes until the Act of July 19, 1952, ch. 950, 66 Stat. 792 (35 U.S.C. 154). Section 154 of Title 35 shows that the only property granted by a patent is the right to sue for infringement:

> *Every patent shall contain* a short title of the invention and *a grant to the patentee*, his heirs or assigns, for the term of seventeen years, subject to the payment of issue fees as provided for in this title, *of the right to exclude others from making, using, or selling the invention throughout the United States*, referring to the specification for the particulars thereof. . . . (Emphasis added.)

It is the intended treatment of this specific property right that must be kept in mind when distinguishing between a disposition and a utilization of the patent right. The difference between a license under a patent and an assignment or disposal of the patent right is that the former gives the recipient immunity from suit for infringement and the latter gives the recipient the right to sue for infringement.[84] Accordingly, it follows that if the government as licensor does not grant to the licensee the right to sue infringers, it retains the property right to itself and does not transfer or dispose of it.

It should be noted that the property right established by the patent grant is positive, not negative, and comes into existence by virtue of the Patent Act. The patent does not grant the right *not to exclude*. The government, or any other owner of technology, can follow a course of inaction. The right *to exclude* is the sole property right gained by the government when it patents its technology. That right is not lost, reduced or abridged, but if fact is assured of positive utilization by the government when used to provide its *quid pro quo* for necessary private risk capital in a cooperative effort with a licensee to bring the technology covered by a patent to the public in the commercial marketplace.

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[81] *See* Temco Electric Motor Co. v. Apco Manufacturing Co., 275 U.S. 319 (1927).

[82] *See* Bell & Howell Co. v. Spoor, 216 Ill. App. 221 (1919).

[83] Ethyl Gasoline Corp. v. United States, 309 U.S. 436 (1940).

[84] *See* Bloomer v. McQuewan, 55 U.S. 539, 549 (1852); *see also,* Ellis, "Validity of Doctrine that a Full Exclusive License is in Fact an Assignment," 34 J.P.O.S. 643 (1954).

If the legal skirmish over exclusive licensing is eventually lost by the Executive Branch, it should fall back on the surplus property management channels to move its patent property to the commercial marketplace.

In the Federal Property and Administrative Services Act of 1949,[85] Congress authorized:

> Any excutive agency designated or authorized by the Administrator to dispose of surplus property may do so by sale, exchange, lease, permit, or transfer, for cash, credit, or other property, with or without warranty, and upon such other terms and conditions as the Administrator deems proper, and it may execute such documents for the transfer of title or other interest in property and take such other action as it deems necessary or proper to dispose of such property under the provisions of this subchapter.[86]

Surplus property is any excess property[87] (including patents)[88] not required for the needs of all federal agencies.[89]

Agencies have the common law right to use ther inventions for agency needs. The government patent is defensive. Its property right, the right to exclude, is neither needed nor used by the agency and thus seems to fit the statutory definition of "surplus property."

So it would appear that patent property, like other forms of government-owned property, once declared to be surplus could be made available to commercial entrepreneurs on conditional leasing or transfer arrangements. The surplus property route is perhaps more cumbersome in its administrative execution and less conventional in treating patent rights than is licensing. Nevertheless, it seems entirely capable of accomplishing the same objectives.

As another alternative route to commercialization, an agency might act by means of its contracting authority to move its inventions to the commercial marketplace. From the Federal Procurement and Administrative Services Act and the Armed Services Procurement Act, the various agencies of the government have authority to enter into contracts for services relating to agency programs and responsibilities and in the public interest.

Contracting has grown to such proportions and to such sophistication that techniques to accomplish agency and public interest objectives are many and varied. Agencies enter contracts for feasi-

[85] Act of June 30, 1949, ch. 283, 63 Stat. 378.

[86] 40 U.S.C. § 484(c).

[87] 40 U.S.C. § 472(e). The term "excess property" means any property under the control of any federal agency which is not required for its needs and the discharge of its responsibilities, as determined by the head thereof.

[88] 40 U.S.C. § 488(c)(2).

[89] 40 U.S.C. § 472(g).

bility studies, public advertising, technology utilization, trade promotion, etc. Contracts customarily provide for appropriated funds as compensation for services rendered. However, there is no requirement that the expenditure of appropriated funds be a condition of the award of a government contract. In fact, agencies today enter joint or cooperative efforts by contract or grant where government-furnished equipment, technology, facilities, etc., as well as funds are combined with contractor contributions to work toward a common interest.

Currently, there is intense interest and effort at all levels of government in transferring government technology to the private sector. Creation of jobs, stimulation of the domestic economy, improved foreign trade, and greater return on research and development outlays are among the reasons for this drive. Mission oriented agencies such as the Department of Defense, the National Aeronautics and Space Administration and the Atomic Energy Commission which spend billions of tax dollars on research and development now consider technology transfer a legitimate responsibility and have on-going programs to this end.

Unfortunately, the fact remains that the great bulk of government-sponsored technology involves considerable financial outlay and risk in its commercial development and marketing. Presumably, an agency could extend its research and development program to include commercial as well as government utilization of new technology and finance the extension with still more tax dollars.

A far better approach would be for an agency to utilize the dormant property right represented by its patent portfolio as all or part of the government's *quid pro quo* in exchange for commercialization by an interested contractor. Inventions could be publicized with a request for proposals for developing and marketing on a nonexclusive basis. The government's contribution to the joint effort would be commercial authorization in the form of immunity from exclusion under the government's patent right. If no response was received to this appeal, the offer could then be made on an exclusive basis. All of the same provisions, conditions, checks, etc., which have been incorporated in the license regulations could be placed in contracting guidelines of the Federal Property Management Regulations and the Armed Services Procurement Regulation to accomplish the same objectives and government-wide uniformity which the licensing program set out to accomplish.

Conclusion

Since the close of World War II, the American public has been asked to invest more than two hundred billion tax dollars in federally-sponsored research and development (over eighty billion in the last five years alone). While the technology generated has undoubtedly been invaluable in the furtherance of government programs in behalf of the nation, there is little evidence of its movement to the commercial marketplace where the taxpayer/consumer and the civilian economy could be benefitted.

While the public continues to be denied its investment at the marketplace, the debate continues as to the best way to resolve the dilemma. The argument over the decades has centered on whether the government should follow a uniform title or license policy. Attributes and accusations relating to these antipodal solutions have been flung back and forth with little new being said for at least a decade. The truth of the matter is that neither approach accomplishes the total objective. Title policy offers no incentive to the private sector to participate in and innovate under government research and development nor does it attract the risk capital needed to move technology to commercialization. On the other hand, use of a license policy is constantly opposed as a giveaway program by those who advocate dedication to the public. Also disappointingly few contractor-retained inventions seem to move promptly to the marketplace for benefit to the consumer. On top of this, eleven years of Executive initiative in the form "flexibility" has left government patent policy still a kaleidoscope of individual agency practices and the situation as muddled as ever.

The nation is entitled to a single uniform patent policy to guide its governmental operations and one which will serve the needs and objectives of the private sector, the government and most of all the public. The uniform approach of vesting legal title to all subject inventions in the government with an automatic option to the contractor for government authorization to commercially develop and market such inventions should satisfy the interests of all parties concerned.

With the national temperament and support shifting more and more toward society oriented goals (*e.g.*, standard of living, health, environment, etc.), industry well may be risking the loss of the battle by getting hung-up on what is largely semantics. The open objective of government contractors has been commercial rights to inventions made under government-sponsored research and de-

velopment. By guarantee of commercial authorization at time of contracting, the contractor would be assured of this objective, if he is in fact a serious entrepreneur and would apply his risk capital to bring the invention into the stream of commerce. The plan would give him two years to make up his mind and another three years to commercialize. From that point he would have seven years to recoup his investment and hopefully make a profit. His objective suffers nothing from the government holding legal title with commercialization at his disposal.

At the same time, legal title places control in the government for a "no nonsense" effort to provide the public with its technology at the commercial marketplace. This should go far in reducing both political opposition and legal and administrative complexities. Also government agencies would have the wherewithal for maximizing research and development participation and results and the commercial utilization of new technology.

The American public has paid for government technology. It deserves the right to accept or reject this technology at the commercial marketplace and to a uniform patent policy which will accomplish this to the greatest degree. Opponents of the concepts of the patent system, be they liberal politicians, consumer advocates or antitrusters, must not succeed in isolating the public from this technology with unsubstantiated fears of economic concentration and market abuse.

Thirty years of patent policy debate is enough—let us get on with the job. It is time for compromise.

Government Patent Policy—Time for Compromise

WILLIAM O. QUESENBERRY

Summary

Post World War II industrialization has brought about an ever-increasing governmental investment within private industry. The results of research and development lead to processes and products which have potentially marketable use, but such use is oftentimes abrogated by governmental policy. The disparate patent policies applied to research programs are based both on legislative and executive action resulting in provisions with either no policy statement at all or one that is very specific and highly restrictive. Two schools of thought disagree as to title to invention derived from government funds: (1) that the government should acquire only those rights to invention which it needs for governmental purposes; or (2) that the government should acquire all rights to inventions conceived under government-sponsored research. Neither philosophy has made significant progress in providing for the return of federally supported technology to the marketplace; it is time for compromise.

Words and Phrases

Patent
Government Policy

U.S. Government
Agencies
AEC
Department of Agriculture
Department of Defense
Department of Justice
NASA
Federal Council for Science and Technology
Patent
Procurement
Research and Development

Citations

10 U.S.C. §§ 2201 *et seq.*
40 U.S.C. §§ 472(e)(g), 484(c), 488(c)(2)
42 U.S.C. §§ 1861-1875, 2011 *et seq.*, 2451 *et seq.*
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64 Stat. 149
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