EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

September 29, 1981

TO: Sal Ambrosio
Joe Clark
Fred Dietrich
Norm Latker
Dennis Prager

FROM: Bill Maxwell WAM

Attached is a copy of SBA's views on Uniform Patent Policy legislation.

To date, you have received copies of the comments of:

NSF (9/21/81 and 9/23/81)
EPA
OMB/IR
NASA
Treasury
DOI

Attachment

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U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

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

Dear Mr. Frey:

This is in response to your Legislative Referral Memorandum requesting the Small Business Administration's comments on a draft bill intended to establish a uniform patent policy.

The primary intent of this bill is to extend first right of refusal to invention rights made under Federal contracts, grants and cooperative agreements to business concerns not covered by Public Law 96-517 which was enacted last year. As you know, P.L. 96-517 provided this right to small businesses and nonprofit organizations. While we take a neutral position on extending the first right of refusal to other business concerns until the administrative procedures and conditions that attach to the right to be promulgated under P.L. 96-517 are definitive, we take issue with the manner in which the right is established under the draft bill.

Section 401(v) of the bill repeals all the provisions of P.L. 96-517 that touch on the allocation of invention rights to small business and nonprofit organizations, and substitutes a new set of procedures and conditions that apply equally to all contracts, grants and cooperative agreements. In some cases, the substitute procedures and conditions correspond to procedures and conditions in P.L. 96-517 which were repealed. In many other situations, however, there are either great differences or no similar procedures or conditions substituted for those repealed.

There are provisions in P.L. 96-517, which were based on small business testimony during congressional hearings, and which protect the background invention rights of small businesses. These protective measures were necessary to safeguard small businesses from agencies who used their economic leverage to negotiate retention of such rights as a condition to receiving

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a research award. Prior to P.L. 96-517, if a small business owned a background patent (previously existing and with a working product) the government could and did require part ownership of the background patent before giving the grant. Oftentimes the requirement was part of the underlying contract's boilerplate. P.L. 96-517 basically provided for a very clear notice by agencies in the contracts that they were going to require part ownership which would have to be cleared by the agency head.

This bill, by its silence, could eliminate the provision in P.L. 96-517 which precludes universities and other nonprofits from assigning future patent rights to profitmaking organizations. That provision insured that big companies could not utilize their ability to give grants to universities and nonprofits as a condition to gaining assignment of invention rights generated in part with government funds. Absent restrictions on future assignment, the bigger, richer companies could buy out the discoveries of this country's laboratories. One of the aims of P.L. 96-517 was to insure that universities owned their patents and would retain a royalty from the licensing of the invention. If not licensable, a small business could be cut out of bringing these inventions to the public leading to a concentration of inventions with big business. Further, since the new tax law, P.L. 97-34, provides for a 25 percent corporate write-off for university research and development, a nearly guaranteed situation exists in which there will be attempts to buy out.

The Administration should also note that the administrative procedures and conditions to be repealed by the draft bill were developed over a long period of time in cooperation with the small business and nonprofit communities. We have no evidence at this time that the substitute provisions are acceptable to these communities, and even if they were, that they would ultimately pass the Congress in their present form.

We strongly question whether the draft bill's technique of wiping the slate clear and starting fresh will enlist the support of the small business and nonprofit communities in light of the enthusiastic support these communities have given to P.L. 96-517. Rather than pursuing this course, we consider its more appropriate to

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limit the draft bill to recipients not covered by P.L. 96-517, and permit P.L. 96-517 to stand as is, subject to changes necessary to achieve consistency where desirable or correct problems that have been identified since its enactment.

Sincerely,

Michael Cardenas
Administrator

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
ROUTE SLIP

TO Sal Ambrosio
Joe Clark
Fred Dietrich
Norm Latker (5217) ✓
Dennis Prager

- [ ] Take necessary action
- [ ] Approval or signature
- [ ] Comment
- [ ] Prepare reply
- [ ] Discuss with me
- [ ] For your information
- [ ] See remarks below

FROM W.A. Maxwell (x3890) DATE 9/24/81

REMARKS

Attached is a copy of views on Uniform Patent Policy Bill from two elements in Interior.

Thanks.

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UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

September 21, 1981

Memorandum

To: Delmas Escoe, Attorney, Office of Legislative Counsel

From: Assistant Solicitor, Branch of Patents, Division of General Law

Subject: OMB #11 - Proposed "Uniform Science and Technology Research and Development Utilization Act" (97th. Congress, 1st. Session)

Since we did not receive the proposed legislation until very late on Friday, September 18, 1981, it was impossible for us to prepare a line-by-line analysis of the proposed bill. However, we were able to review the substance of the document as a whole and reach some general conclusions and recommendations.

In general the proposed legislation will:

a) extend the provisions of new Chapter 38, U.S.C. 200 (P.L. 96-517) et seq. to all Government contractors, large or small, profit or nonprofit, whereby the contractors may retain title in and to inventions and patent rights made under Government contract except in instances where the Government asserts and can justify its retention of title because of exceptional circumstances such as national security, necessity to continue operation of Government facilities without interference, lessening of competition in the marketplace, or violation of antitrust laws;

b) establish the Department of Commerce as the "lead" agency for implementing the legislation through the promulgation of uniform regulations, directives, procedures, and accumulate, analyze, and disseminate data to effectively evaluate the administration and effectiveness of policies set forth in the Act.

For the last several years, this Branch has advocated the need for a uniform patent policy throughout the Government and, in particular, the Department of the Interior. A quick glance at the repealer section of the proposed legislation, Title IV, shows that we are inundated with statutory mandates which preclude us from establishing a uniform policy in dealing with our contractors. To make matters even more complicated, each Executive agency has established its own patent policy tailored to suit its own philosophic direction with the result that there have been and will continue to be internal squabbles in inter-agency agreements as to which agency's policy should prevail.

We, therefore, recommend that, if the decision is made as to what position and how actively this Department will participate in advancing its position before Congress, the Department should support the proposed legislation in principal. A detailed consideration of various provisions in the proposal can be deferred until such time as hearings are held or comments solicited as to specific provisions of the bill when introduced.

Our reasons for support of the proposal are practical as well as philosophic, and can be summarized thus:

1. ultimate benefit to the public from Government-funded research and development programs by utilization of newly evolved proprietary data;

2. stimulation of private industry to bring new proprietary data to the marketplace with some assurance of cost recovery at least;

3. lessening of tension between the Government and private industry;

4. reduction of protracted negotiations in the award of R&D contracts;

5. enable us to concentrate our efforts to exploit "in house" inventions to the best interest of the public and Government efforts; and

6. assure that the most qualified contractors, big or small, will participate in Government R&D programs.

We could enumerate a slew of other considerations, but time does not permit of a more detailed discussion of the advantages of the proposed legislation.

If you have any questions, please do not hesitate to contact the Branch.

/s/

Donald A. Gardiner

Attachment

cc: W. Satterfield, DGL, w/e
Deputy Solicitor, w/e

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

SEP 22 1981

Memorandum

To: Legislative Council
Attention: Mr. Delmas Escoe

From: Director, Office of Acquisition and Property Management

Subject: OMB #11, A Draft Bill Entitled the "Uniform Science and Technology Research and Development Utilization Act." (Your Memorandum Dated September 17, 1981)

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This Office concurs in subject draft bill but suggests that Sec. 305(a) under General Provisions be modified to require the Office of Federal Procurement Policy to develop a standard contract clause (General Provision) to implement the bill. As now written each agency would develop its own contractual provision, thereby potentially frustrating the stated purpose of ". . . maintain[ing] a uniform Federal policy for management and use . . ."

R. W. Plasecki

[illegible] DEPT.

SEP 23 1981

LEGISLATIVE COUNSEL