ROUTING AND TRANSMITTAL SLIP

Date 3/29/81

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Fred H. Dietrich, OFPP, OMB		
2.		
3.		
4.		
5.		

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

For your information.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
R. Tenney Johnson, General Counsel DOE	FORSTL
	Phone No. 252-5281

5041-102

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

☆ U.S. GPO: 1978-0-261-647/3354

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

TO

FROM DATE

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

REMARKS #1

Alternative #2

- More restrictive than your current legislation (can make clean hand waiver on whole contract in advance -- not here)

#2 - Does not give OCO flexibility to deal with 3rd parties... because its after the fact.

- Livermore } Already have prior waivers
- Brookhaven } (made or to be made) OK

#2 - Uncertainty in case by case waivers of rights determination -
- inhibits participation by 3rd part (will not commit their money)

- Could go along with 1st TP as 3rd choice

OMB F
REV

(1) Coleman
(2) Wilson
pls. return to F.D.

JUN 04 1982

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Affairs
Washington, D.C. 20230

MEMORANDUM FOR Norman Latker NL

From: Tip Parker Tip

Subject: Presidential Memorandum on Patent Policy

On May 24, 1982, I had a telephone conversation with Ron Kienlen of the OMB General Council's Office. I called to ask his advice on handling the August 23, 1971, Presidential memorandum on patent policy. The memorandum has not been rescinded, but it does not reflect current Administration policy. The main issue was whether the Presidential memorandum would be binding on the patent provisions of the new Federal Acquisition Regulation (FAR).

Ron advised me not to worry about the Presidential memorandum. It has no binding effect in law, and needs no rescission. Replacing it with another Presidential memorandum would appear to serve no useful purpose.

The FAR is what will really convey the Administration's policy to the contractors and the public. OFPP has authority to issue policy statements and guide the development of the FAR. In part, the FAR must reflect P.L. 96-517 in providing patent ownership rights to small businesses, universities, and non-profit organizations. For large contractors, the Commerce testimony for the Schmitt Bill, which was cleared by OMB, is an adequate expression of Administration policy on which to base the FAR, and OFPP could provide guidance to implement the Administration's policy in the FAR.

Fred,

Do you plan on putting anything out re the last sentence cited above?

Dan

Dan Yes an OFPP policy letter.
Fred

Alternative #1

COMPROMISE BETWEEN DOE AND OFPP/OSTP PROPOSALS

1. Add a sixth subparagraph to Section 301(a) as follows:

"(6) The contract is for the operation of a Government-owned research or production facility, provided that the Federal agency shall normally grant waivers under the authority of Section 303(d) of this title."

2. Add a new paragraph (d) to Section 303 as follows:

"(d)(1) Where a Federal agency has reserved the right to acquire inventions under contract for the operation of a Government-owned research or production facility as authorized in Section 301(a)(6) of this Act, the Federal agency shall normally grant waivers upon request to any identified subject invention to either the contractor, or a third party sponsoring research or development activities at the facility, unless the agency determines that such action will not best serve the interests of the United States and the general public.

(2) In making determinations under subsection (d)(1) of this Section, the agency shall consider at least the guidance of Section 301(a) of this Title, the objectives of subsection (c) of this section, whether the agency is still funding development of the invention, and whether ownership of such invention could result in a conflict of interest."

Alternative #2

COMPROMISE BETWEEN DOE AND OFPP/OSTP PROPOSALS

Add a sixth subparagraph to Section 301(a) as follows:

> "(6) The contract is for the operation of a Government-owned research or production facility, provided that the Federal agency shall normally grant waivers under the authority of Section 303 to any identified subject invention upon request to either the contractor, or a third party sponsoring research or development activities at the facility, unless the agency determines that such action will not best serve the interests of the United States and the general public. In making such determinations, the agency shall consider the guidance of this subsection (a), the objectives of subsection (c) of Section 303 of this Title, whether the agency is still funding development of the invention, and whether ownership of such invention could result in a conflict of interest."

Draft. May 19 '82

Delete paragraph (2) of section 301(a) and include the following (or something similar) in the section-by-section analysis of the legislative history.

Section 301. Allocation of Rights

Section 301(a) sets forth specific circumstances under which a Federal agency may acquire title or other rights at the time of entering into a contract to inventions which may be made by contractors or may otherwise limit the rights of the contractor as established elsewhere in the Act. Use of these exceptions by an agency is discretionary.

The exceptions and examples thereof are:

(1) .....

(2) Exceptional circumstances when the agency on a contract-by-contract basis (and not a class of contract basis) determines that this would better promote the policy and objectives of section 101(5). It is expected that the "exceptional circumstances" exception will be used sparingly. Examples where the exception might be justified included;

(a) A contract which calls for the development of a product or process that the agency plans to fully fund and promote to the marketplace.

(b) A contract for the operation of a Government-owned research or production facility wherein some of the tasks to be performed at the facility may result in inventions whose commercialization

should be discouraged, restricted or otherwise controlled for national security purposes. Such inventions would include new products or processes used in the preparation of nuclear fuels. In such cases, however, it is the intent of the Act that the agency define specific fields of use to which it will obtain rights in inventions at the time of contracting and not destroy the contractor incentive of ownership to further develop any inventions in fields of use where commercial use need not be discouraged, restricted or controlled.

(c) A contract where ownership and subsequent licensing of subject inventions could result in a conflict of the contractor's interests.

q Doug

Thrust of Reform: Giving rights at time of contracting

VS

Traditional DOE: Deferred determinations by an agency.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

3/30/82

TO Don
Administration's position on
Schmitt Bill -- re: GOCOs

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

FROM Fred DATE Mar 26

REMARKS

Talked with Tenny Johnson this afternoon on phone —

Told him we would get two options over to him Tues. AM. (He'll be gone monday)

1. NOT address GOCOs in Bill (as now introduced) but cover all points we discussed in the Legislative report. (Norm & Jessie are drafting the report).
2. Exec. Branch recommend altering the Bill to address GOCOs in accord with the language we discussed earlier this week and provide further clarifications for Legislative report.

Norm will carry the options to Johnson and if necessary explain them.

OMB FORM 4
REV AUG 70

Fred
This was completed — copies sent to

Norm

P.S.
Also see incoming from Tenney Johnson, DOE.

- Permutt
- Clark
- Maxwell

OPTION 1

IN LIEU OF DOD LANGUAGEMENT AMENDMENT

Not address GOCO's in Bill but remain silent as is now the case.

Amend the legislative history of the Bill as follows:

It is expected that the "exceptional circumstances" exception will be used sparingly. An example of a situation in which it may be used is when the contract calls for development of a specific product that will be required for use by regulation. In such a case, it is presumed that patent incentives will not be required to bring the product to the market. Similarly, if the funding agreement calls for developmental work on a product or process that the agency plans to fully fund and promote to the market place, then the use of the exception may be justified.

It has also been brought to the Committee's attention that some contractors at Government owned research or production facilities (GOCO's) may perform tasks such as the review or testing of the research work of other contractors, that might present delicate issues of organizational conflicts of interest if they were to claim inventions that appeared to be build on the work they were reviewing. Such a situation might merit the tailoring of some special language under the exceptional circumstances exception based on the equities of the parties.

Similarly, it has been pointed out that some GOCO's contractors may be doing research in fields such as the production of nuclear fuels that have been carefully controlled by the Government for national security proposes. In such cases, the

public interest might require the invocation of exceptional circumstances. However, in general the Committee feels that security considerations are best protected via control of information through the laws and regulations governing classification and handling of classified materials and through reliance on Secrecy Orders in the patent office rather than through the taking of title by the Government.

Mr. Homer Blair, Vice President, Patent and Licensing Itek Corporation, Lexington, Massachusetts, questioned the need for an agency to retain title to an invention on national security grounds while testifying at our July 28, 1981 hearings.

He indicated that;

> I have a little problem understanding the reason for that. (Title in the Government) We have a number of very highly classified contracts under which we make inventions. If we wish to get a patent on it, we can file the patent application often through the particular agency, ending up in the U.S. Patent and Trademark Office, which has a security group which can handle any classification. They will examine it as they would with a regular patent application. Of course, all your correspondence is handled on a classified basis. When they have decided that there is allowable subject matter, it is held by the Patent and Trademark Office until the various Government agencies involved decide it would be declassified, which might be many years. Itek has patent applications which were allowed and will not issue in my lifetime. I don't think they should. But my puzzlement is as to why whether we have title or the Government has title has anything to do with national security problems. I have talked to some people in the Central Intelligence Agency and asked them about this, and they're trying to get the right person to explain why it should be the case."

The Committee is unaware of any justification other than previously discussed for not allowing contractors that are operating Government-owned research or production facilities from normally taking title to inventions just as other contractors. Accordingly, lacking a justification for an exception for GOCO's (as found in P.L. 96-517) the Committee has chosen not to include it in S. 1657. We believe agencies will retain sufficient flexibility in unusual cases involving GOCO's through the "exceptional circumstances" exception. In such cases, however, it would be within the spirit of the Act for the agency to either define specific fields of use to which it will obtain rights in any inventions at the time of contracting or to carefully structure any deferred determinations so that the agency does not destroy the incentives for further development of any inventions in fields of use not of interest to the agency.

There has been some concern expressed as to the need for guidance on the obligations of a recipient of Government research funds at a GOCO, university or nonprofit organization when such research is closely related to other research at such facilities sponsored by an industrial concern. Since one of the primary purposes of the Act is to foster cooperative research arrangements among Government, universities, and industry in order to more effectively utilize ~~in order~~ the productive resources of the nation in the creation and commercialization of new technology, it is important to remove any doubt as to the propriety of such cooperative arrangements and the proper application of the Act to them.

Given the right of research organizations to accept supplemental funding from other sources by the agency for the purpose of expediting or more comprehensively accomplishing the research objectives of a Government sponsored project, it is

clear that the Act would remain applicable to any invention " conceived or first actually reduced to practice in performance" of the project. Separate accounting for the two funds used to support the project in this case is not a determining factor.

To the extent that a non-government sponsor establishes a project which although closely related, falls outside the planned and committed agency funded effort and does not diminish or distract from the performance of such effort, inventions made in performance of the non-government sponsored project would not be subject to the conditions of the Act. Inventions made under these circumstances would be disposable in accordance with agreements between GOCO, university or nonprofit organizations and the non-government sponsor. An example of such related but separate projects would be a government sponsored project having research objectives to expand scientific understanding in a field with a closely related industry sponsored project having as its objectives the applicaton of such new knowledge to develop usable new technology. The time relationship in conducting the two projects and the use of new fundamental knowledge from one in the performance of the other are not important determinants since most inventions rest on a knowledge base built up by numerous independent research efforts extending over many years.

An invention which is made outside of the research activities of a government funded project but which in its making otherwise benefits from such project without adding to its cost, is not viewed as a "subject invention" since it cannot be shown to have been "conceived or first actually reduced to practice" in performance of the project. An obvious example of this is a situation where an instrument purchased with government funds is later used, without interference with or costs to the Government funded project, in making an invention all expenses of which involve only non-government funds.

OPTION 2

IN LIEU OF DOE LANGUAGE AMENDMENT

1. Substitute the following paragraph (2) under section 301(a).

(2) The contract is for the operation of a government-owned research or production facility, provided that,

(a) any rights so acquired shall be normally waived by the Federal agency upon request by the contractor to retain title to a subject invention made or to be made under such contract, subject to the conditions of section 302(a), unless the agency determines that commercialization of such invention should be discouraged, restricted or otherwise controlled for national security purposes or the circumstances of paragraphs 1, 3, 4, 5 or 6 of this section apply. Such request may be made any time up to the end of the period within which the contractor must report a subject invention under section 305(1), or

(b) to the extent that a third party sponsor may establish a project at a government-owned research or production facility which, though related;

(i) falls outside the planned and committed agency funded effort, and

(ii) does not diminish or distract from such effort,

then an invention made in performance of such a third party sponsored project is not subject to the conditions of this Act and is disposable in accordance with agreements between the third party sponsor and the government-owned research or production contractor.

2. Add the following paragraph (6) under section 301(6).

(6) A conflict of interest could result from ownership and subsequent licensing.

IN LIEU OF DOE LANGUAGE AMENDMENT

1. Substitute the following paragraph (2) under section 301(a).

(2) The contract is for the operation of a government-owned research or production facility, provided,

(a) that any rights so acquired shall be normally waived by the Federal agency upon request by the contractor to retain title to a subject invention made or to be made under such contract, subject to the conditions of section 302(a), unless the agency determines that commercialization of such invention should be discouraged, restricted or otherwise controlled for national security purposes or the circumstances of paragraphs 1, 3, 4 or 5 of this section apply. Such request may be made any time up to the end of the period within which the contractor must report asubject invention under section 305(1), and

(b) that to the extent that a non-government sponsor establishes a project at a government-owned research or production facility which, though related;

(i) falls outside the planned and committed Government funded effort, and

(ii) does not diminish or distract from such effort,

then an invention made in performance of the non-government sponsored project is not subject to the conditions of this Act and is disposable in accordance with agreements between the non-government sponsor and the government-owned research or production facility.

2. Add the following paragraph (6) under section 301(6).

(6) A conflict of interest could result from ownership and subsequent licensing.

252-5281
Tenney Johnson

IN LIEU OF DOE LANGUAGE AMENDMENT

1. Substitute the following paragraph (2) under section 301(a).

(2) The contract is for the operation of a government-owned research or production facility, provided,

(a) that any rights so acquired shall be normally waived by the Federal agency upon request by the contractor to retain title to a subject invention made or to be made under such contract, subject to the conditions of section 302(a), unless the agency determines that commercialization of such invention should be discouraged, restricted or otherwise controlled for national security purposes or the circumstances of paragraphs 1, 3, 4 or 5 of this section apply. Such request may be made any time up to the end of the period within which the contractor must report asubject invention under section 305(1), and

(b) that to the extent that a non-government sponsor establishes a project at a government-owned research or production facility which, though related;

(i) falls outside the planned and committed Government funded effort, and

(ii) does not diminish or distract from such effort,

then an invention made in performance of the non-government sponsored project is not subject to the conditions of this Act and is disposable in accordance with agreements between the non-government sponsor and the government-owned research or production facility.

2. Add the following paragraph (6) under section 301(6).

(6) A conflict of interest could result from ownership and subsequent licensing.

(1)

March 12, 1982

Patent legislation DOE desires.

DOE SOLUTION TO GOCO ISSUE IN S.1657 (SCHMITT BILL)

1. Place a GOCO exception in section 301(a) using the language of P.L. 96-517 as follows:

   "(1) The contract is for the operation of a Government-owned research or production facility;"

2. Add a final paragraph to section 303 of the Schmitt bill which is entitled "Waivers" as follows:

   "(d) Where a Federal agency has acquired rights to subject inventions under contract for the operation of a Government-owned research or production facility as authorized in section 301(a)(1) of this Act, the Federal agency shall normally grant waivers upon request to any identified subject invention--

   (1) to the contractor or to a third party where the agency does not intend to further support an invention needing further development to achieve practical application [and the contractor or a third party is willing to support such development;]

   (2) to a third party where the third party is sponsoring research or development activities at the facility; or

   (3) to the contractor in all other cases where the contractor's plans and intentions are more likely to achieve practical application of the invention than those of the agency,

   provided, however, the Federal agency may decline to grant the waiver request if the agency determines that such action will best serve the interests of the United States and the general public. In making such determinations, the agency shall consider at least the guidance of section 301(a) of this Act and the objectives of subsection (c) of this section."

Contractor must prove he'll commercialize

March ~~12~~ 19, 1982

for OSTP

DOE/SOLUTION TO GOCO ISSUE IN S.1657 (SCHMITT BILL)

1. Place a GOCO exception in section 301(a) using the language of P.L. 96-517 as follows:

   "(1) The contract is for the operation of a Government-owned research or production facility;"

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   "(d) Where a Federal agency has acquired rights to subject inventions under contract for the operation of a Government-owned research or production facility as authorized in section 301(a)(1) of this Act, the Federal agency shall [~~normally~~] grant waivers upon request to any identified subject invention--

   (1) to the contractor; or [~~to a third party where the agency does not intend to further support an invention needing further development to achieve practical application, and the contractor or a third party is willing to support such development;~~]

   (2) to a third party where the third party is sponsoring research or development activities at the facility[~~; or~~]

   [~~(3) to the contractor in all other cases where the contractor's plans and intentions are more likely to achieve practical application of the invention than those of the agency~~]

   provided, however, the Federal agency may decline to grant the waiver requested if the agency determines that such action will best serve the interests of the United States and the general public. In making such determinations, the agency shall consider at least the guidance of section 301(a) of this Act and the objectives of subsection (c) of this section."

[COMMITTEE PRINT NO. 2]

Calendar No. [redacted]

96TH CONGRESS *1st Session*	SENATE	REPORT No. 96—

UNIVERSITY AND SMALL BUSINESS PATENT PROCEDURES ACT

REPORT

OF THE

COMMITTEE ON THE JUDICIARY

UNITED STATES SENATE

ON

S. 414

DECEMBER , 1979.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1979

52-430

Following this report, HEW instituted the Institutional Patent Agreements (or I.P.A.'s) to cope with this problem and other means of expeditiously disposing of inventions not covered by an I.P.A. The I.P.A. program provides a first option to qualified universities and nonprofit organizations to inventions that they make under HEW-supported research efforts.

Since instituting the I.P.A. program a number of potentially important new drugs initially funded under HEW research have been delivered to the public through the involvement of private industry in developing, testing, and marketing these discoveries. Prior to the I.P.A. program, however, *not one drug* had been developed and marketed from HEW research because of a lack of incentives to the private sector to commit the time and money needed to commercialize these discoveries.[13]

This program has been so successful that it has been copied by other agencies such as the National Science Foundation and was approved by the General Services Administration in 1978 and made available to all interested agencies under Federal Procurement Regulation Amendment 187 adopted on January 27, 1978.

Ironically, HEW now seems to be returning to its pre-1968 patent polices with the result that Senator Dole in late 1978 compiled a list of 29 important medical discoveries that had been delayed from 9 months to well over a year before HEW was able to determine whether or not the agency would retain patent rights. During the delays, the development of the invention is in limbo because potential licensees are afraid that the agency will insist on retaining title to the patent rights. Follow-up review has shown no improvement in HEW's performance. (The GAO patent policy study presented to the Committee on May 16, 1979, also found that the Department of Energy frequently takes up to 15 months to process these patent ownership requests from its contractors).

HEW has also shown a reluctance in recent years to admit new participants to the I.P.A. program despite the fact that universities and nonprofit organizations have a much better record at licensing out their patents than the agency.

There is no justification for new inventions made under university, nonprofit organization, or small business research having to undergo these long delays to determine patent ownership. Such delays serve to seriously jeopardize the ability of new inventions to be commercialized. Passage of S. 414 will end this uncertainty and prevent these promising inventions from being suffocated under reams of unnecessary, bureaucratic redtape.

It should be noted that the agencies can retain title to inventions arising from research which only received a small percentage of its funding from the Government. Mr. Bremer pointed out that universities receive their funding from a number of sources both private and public. Even the receipt of a small percentage of Federal money however, can throw the whole issue of patent ownership into considerable confusion. Many small companies have told the committee that they are reluctant to use university research facilities because they fear

[13] Testimony of Mr. Norman Latker, patent counsel, Dept. of Health, Education, and Welfare, House Subcommittee on Science, Research and Technology, May 26, 1977, 95th Congress, 1st session, p. 8.

(4)

(3) an analysis of impact of Federal policies on the purposes of this Act.

(e) The authorities conferred upon the Secretary by subsections (b) through (d) of this section shall expire seven years following the effective date of this Act, unless renewed by action of Congress.

TITLE III - ALLOCATIONS OF RIGHTS - GOVERNMENT CONTRACTORS

RIGHTS OF THE GOVERNMENT

Sec. 301. (a) Each Federal agency may acquire on behalf of the United States, at the time of entering into a contract, title to or rights to license any subject invention, or may limit the rights of a contractor under section 302(b) of this title, if--

(1) it is determined by a Government authority which is authorized by statute or Executive order to conduct foreign intelligence or counterintelligence activities that such action is necessary to protect the security of such activities;

(3) (2) the agency determines, on a case-by-case basis, that there are exceptional circumstances requiring such action to better promote the policy and objectives of section 101(5) of this Act;

(4) (3) the contractor is not located in the United States or does not have a place of business

(2) it is determined that commercialization of the technology to be developed under the contract should be discouraged, restricted, or otherwise controlled;

Statutory language to implement Reagan policy

extent necessary for the Government to grant an exclusive license.

WAIVER

Sec. 303. (a) A Federal agency may at any time waive all or any part of the rights of the United States under section 301 or 304 of this title to any subject invention or class of subject inventions made or which may be made under a contract or class of contracts if the agency determines that--

(1) the interests of the United States and the general public will be best served thereby; or

(2) the contract involves cosponsored, cost sharing or joint venture research or development and the contractor or other sponsor or joint venturer is required to make a substantial contribution of funds, facilities, or equipment to the work performed under the contract.

(b) The agency shall maintain a record, which shall be made public and periodically updated, of determinations made under this section.

(c) In making determinations under subsection (a)(1) of this section, the agency shall consider at least the following objectives:

(1) encouraging wide availability to the public of the benefits of the experimental,

Draft May 17 (5)

IN LIEU OF DOE LANGUAGE AMENDMENT

1. Substitute the following paragraph (2) under section 301(a).

(2) The contract is for the operation of a government-owned research or production facility, provided, that any rights so acquired shall be normally waived by the Federal agency upon request by the contractor to retain title to a subject invention made or to be made under such contract, subject to the conditions of section 302(a), unless the agency determines that commercialization of such invention should be discouraged, restricted or otherwise controlled for national security purposes or the circumstances of paragraphs 1, 3, 4 or 5 of this section apply. Such request may be made any time up to the end of the period within which the contractor must report a subject invention under section 305(1).

2. Add the following paragraph (6) under section 301(6).

(6) A conflict of interest could result from ownership and subsequent licensing.

& (6 Subject Report)

Agency Rights in GOCO contract area where rights will be Government-wide waived.

- address 3rd party in GOCO section

March 12, 1982

DOE SOLUTION TO GOCO ISSUE IN S.1657 (SCHMITT BILL)

1. Place a GOCO exception in section 301(a) using the language of P.L. 96-517 as follows:

"(1) The contract is for the operation of a Government-owned research or production facility;"

2. Add a final paragraph to section 303 of the Schmitt bill which is entitled "Waivers" as follows:

"(d) Where a Federal agency has acquired rights to subject inventions under contract for the operation of a Government-owned research or production facility as authorized in section 301(a)(1) of this Act, the Federal agency shall normally grant waivers upon request to any identified subject invention:

(1) to the contractor or to a third party where the agency does not intend to further support an invention needing further development to achieve practical application, and the contractor or a third party is willing to support such development;

(2) to a third party where the third party is sponsoring research or development activities at the facility; or

(3) to the contractor in all other cases where the contractor's plans and intentions are more likely to achieve practical application of the invention than those of the agency,

provided, however, the Federal agency may decline to grant the waiver request if the agency determines that such action will best serve the interests of the United States and the general public. In making such determinations, the agency shall consider at least the guidance of section 301(a) of this Act and the objectives of subsection (c) of this section."

March 12, 1982

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(1) to the contractor; or [~~to a third party where the agency~~ does not intend to further support an ~~invention needing~~ further development ~~to achieve practical~~ application, and the contractor ~~or a third party is willing to support such development~~;]

(2) to a third party where the third party is sponsoring research or development activities at the facility[~~, or~~

~~(3) to the contractor in all other cases where the contractor's~~ plans and intentions are more likely to achieve practical ~~application of the invention than those of the agency~~]

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> > (3) to the contractor in all other cases where the contractor's plans and intentions are more likely to achieve practical application of the invention than those of the agency
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

April 20, 1982

Tenny,

Enclosed are the alternative languages we drafted as a result of our discussions last week.

We prefer the first alternative and consider it to be the approach most consistent with the intent of this Administration.

I have talked to OSTP's Doug Pewitt and Denis Prager and OMB's Bill Maxwell - they too prefer the first alternative.

The second alternative is less desirable but would probably be acceptable.

Fred Dietrich

ALTERNATIVE 1

1. Substitute the following for paragraph (2) under Section 301(a)

(2) The contract is for the operation of a government-owned research or production facility and FOR GOCOs

(a) such invention(s) will be made in performance of a task or program under such contract that requires the development of one or more of the following:

(i) a specific product or process that will be required for use by regulations;

(ii) a product or process that the agency plans to fully fund and promote to the marketplace;

(iii) Nuclear fuels that will be controlled or otherwise restricted;

(iv) (you may wish to add other specific circumstances under which contractor ownership should be restricted); or

(b) the head of the agency believes that the ownership and licensing of such invention(s) would either diminish or distract from performance of tasks or programs assigned under such contract.

. . . . . .

2. Add the following paragraph (6) under section 301(a)

(6) An agency head believes that the ownership and licensing of such invention(s) would either diminish or distract from the performance of such contract or result in a conflict of interest. for FFRDCs

ALTERNATIVE 2

1. Substitute the following for paragraph (2) under section 301(a).

(2) The contract is for the operation of a government-owned research or production facility, provided that

(a) any rights so acquired shall be normally waived by the Federal agency upon request by the contractor, subject to the conditions of Section 302(a), unless,

(i) the agency determines that such invention(s) was made or will be made in performance of a task or program under such contract that requires the development of one or more of the following:

A a specific product or process that will be required for use by regulations;

B a product or process that the agency plans to fully fund and promote to the marketplace;

C nuclear fuels that will be controlled or otherwise restricted;

D (you may wish to add other specific circumstances under which contractor ownership should be restricted); or

(ii) the head of the agency believes that the ownership and licensing of such invention(s) would either diminish or distract from performance of tasks or programs assigned under such contract, and

(b) A contractor request under (a) above, shall be considered by the agency any time up to the end of the period within which the contractor must report a subject invention under Section 305(1) and an agency determination rendered within three months of the contractor's request.

2. Add the following paragraph (6) under Section 301(a)

(6) An agency head believes that the ownership and licensing of such invention(s) woul ' either diminish or distract from the performance of such contract or result in a conflict of interest.

DRAFT

June 9, 1982

(Senate)

S. 1657 - Uniform Science and Technology Research and Development Utilization Act

(Schmitt (R) NM and 5 others)

The Administration supports (enactment) Senate passage of S. 1657, but will seek amendments in the House to ensure that (1) the Federal Government can meet its international obligations with respect to procurements, cooperative research, and sharing research results, (2) inventions are reported on a timely basis so that inventions resulting from federally funded R&D become part of the technological base and the Government does not loose the opportunity to patent an invention that the private sector inventor does not choose to pursue, and (3) the grant of title or exclusive license is not likely to lessen competition substantially in any market. The Administration will also seek technical amendments to Title IV of the bill.

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(Not to be Distributed Outside Executive Office of the President.)

S. 1657 extends to "big" businesses the same rights to inventions resulting from federally funded R&D as now enjoyed under P.L. 96-517 by small businesses and non-profit organizations. (Under the bill, as a general Federal policy, organizations that performed R&D work using Federal funds will have first option to obtain title to any invention that might result from the research.) The

Administration has supported the objectives of S. 1657 and has worked with the Senate Energy and Commerce Committee in ~~working out~~ drafting its specific provisions.

Three amendments to S. 1657, as reported, are necessary, however, to make the bill fully acceptable. Language needs to be included to ensure that:

(1) the Federal Government can meet its international obligations -- with respect to procurements, cooperative research and, sharing research results;

(2) inventions are reported so that (a) new ideas and approaches becomes part of the technological base and (b) the Government will not lose the opportunity to patent an invention that the private sector inventor does not elect to patent because he has not reported it on a timely basis; and

(3) the grant of a title of exclusive license by the Federal Government is clearly covered by section 7 of the Clayton Act, which prohibits company acquisitions or mergers if such action would likely result in lessening competition substantially in any market.

Technical amendments are also needed in Title IV of the bill, which amends specified statutes to make them consistent with S. 1657. This position has been cleared by PAD/EG (Anderson), TCH (Dyer), OFPP (Dietrich), OSTP (Prager), DOC (Kirk), DOD (Henderson), DOE (Johnson), NASA (Kempf), NSF (Chester), EPA (Bochenek), State