

B2. Jud - Patents  
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MEMORANDUM

TO: Senator  
FROM: Joe Allen  
RE: S. 414 on Judiciary Committee Agenda  
DATE: November 19, 1979  
COPIES: Tom, Kevin, Mary, Eve, Linda, Kathy, Press, Jim E., Bob B.,  
Ann M., David Bochnowski, Leg (2) and Ind. Dept.

Your University and Small Business Patent Procedures Act, S. 414, has been placed on the agenda for tomorrow's Exec. After consideration of S. 1246--Metzenbaum's Oil Merger bill, you might be able to call up S. 414.

There is no opposition to the bill in the Committee as far as we know and both Senator Kennedy's staff and Senator Thurmond's have indicated that they would like to move the bill out of Committee as quickly as possible.

As you know, S. 414 establishes a uniform Government patent policy which allows universities, nonprofit organizations, and small businesses to retain title to inventions that they make under Government research and development contracts. The bill also requires that whenever one of these contractors makes a certain amount of money from commercialization of the invention they will have to repay the Government equal to its investment in the contract. You will be offering an amendment with Senator Dole in the Committee to simplify this procedure from a 10-year accounting period to a one-year accounting period to prevent undue procedural problems.

The bill also authorizes the agencies to license out to private industry the more than 28,000 patents now held by the Government that are not being used. Under S. 414 any potential licensee would have to submit a plan for proposed commercialization of the patent and a first preference would be given to small businesses.

You chaired two days of hearings before the full Committee on the bill and heard from 15 witnesses.

Senator Thurmond's staff has indicated that they have no problems with bringing up the bill as soon as possible. Senator Metzenbaum is considering proposing an amendment to redefine "nonprofit organization" in the bill to include the Battelle Memorial Institute of Ohio which lost its nonprofit organization status under the IRS definition which you use in the bill. The Metzenbaum amendment if offered would only affect Battelle and I think is unjustified, but it presents a good bargaining chip if one is needed since it would not adversely affect the universities.

From talking with Metzenbaum's staff it is doubtful if he will offer any amendments because of his preoccupation with the Oil Merger bill.

The President said in his innovation speech two weeks ago that: "I will also support the retention of patent ownership by small businesses and universities, the prime thrust of legislation now in Congress, in recognition of their special place in our society." This is a clear reference to your bill. We have been informed that someone in the Administration is trying to draft a more comprehensive patent policy bill using your bill as the basis for universities and small businesses but no one in the Administration has contradicted the President's indication of support for S. 414.

We have distributed to the Committee members a copy of S. 414, the Committee report, and the amendments which you and Senator Dole will offer.

The amendments are:

1. to revise Sec. 204, the Government pay back mechanism, so that it works on a year-by-year basis rather than the 10-year period now in the bill. This should vastly simplify the bookkeeping procedures needed to implement this requirement.
2. to provide that whenever an agency wants to retain a small businesses' background rights (patents or information owned by the contractor prior to involvement with the agency) that the agency will have to openly justify the necessity for this acquisition and allow the small business opportunity to rebut this decision. This is very important to the small business community.
3. a number of technical amendments -- the most important of which respond to Admiral Rickover's criticisms that your bill will set up a vast bureaucracy. This amendment will make sure that no revolving funds are allowed to set up agency licensing programs for patents already owned by the Government. The Congress would be able to control the growth of these programs (which should be modest if any growth at all is required by S. 414) through approving appropriations to the agencies for licensing of these patents.

Carol Baker with the Budget Committee said that if these amendments are adopted the Budget Committee would not have any problems with the bill.

Nine of the seventeen members of the Committee are cosponsors of S. 414 and no one as far as we know has any problems with it.