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**CONTRACTOR'S RIGHTS TO
FEDERALLY-SPONSORED INVENTIONS**
S. 1657 H.R. 4564

Purpose: Establish uniform Federal policy for management and use of federally-sponsored R&D.

New Effect: All contractors (in addition to small businesses and universities) may obtain patent rights to federally-sponsored inventions.

Basic Provisions:

A. U.S. takes title to an invention if Federal agency finds at least one of the following:

- (1) Contractor operates Federal R&D center.
- (2) Government finds U.S. ownership of invention is required to protect security of foreign intelligence or counterintelligence activity.
- (3) Exceptional circumstances which better promote policy of Act.
- (4) Contract is to develop or improve products, processes, or methods which will be required for use by Government regulation unless waived by Federal agency.

If Government takes title under these provisions, Contractor has nonexclusive, royalty-free license unless Government wants to grant exclusive license.

B. Contractor must:

- (1) Disclose inventions to Federal agency and elect whether or not to file patent application.
- (2) Report periodically on commercial use of invention (report is not subject to disclosure under FOIA).
- (3) Reserve nonexclusive, worldwide, paid-up license to U.S. and domestic municipal governments, unless Federal agency finds license to municipal governments not in public interest.

C. Contractor must elect to retain title to invention at time of disclosure. If Contractor does not so elect, U.S. takes title.

D. Federal agency has right (after hearing) to grant nonexclusive, partially exclusive, or exclusive licenses:

- (1) If Contractor has not achieved practical application of the invention.

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- (2) To alleviate health and safety needs not satisfied by Contractor.
 - (3) To meet requirements for public use specified by Federal regulation not satisfied by Contractor.
 - (4) If action of Contractor beyond exercise of exclusive rights in the invention have tended substantially to lessen competition or result in undue market concentration.
- E. Federal agency may waive rights of U.S. to any invention or class of inventions, if agency determines condition justifying acquisition of title by U.S. no longer exists and public best served thereby.
- F. Differences between S. 1657 and H.R. 4564:
- (1) Under H.R. 4564, Contractor will share royalties under regulations to be promulgated. This provision may be changed in House committee.
 - (2) H.R. 4564 provides for judicial review of determination of rights between Contractor and U.S.; S. 1657 does not.
 - (3) H.R. 4564 provides for right of U.S. to license Contractor-owned invention to foreign government; S. 1657 does not. House committee may drop this provision.