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11/24/81

November 24, 1981

*KASTENMEIER*  
The Honorable Robert W. ~~Kastenmeier~~ *K*  
Committee on the Judiciary  
Subcommittee on Court, Civil Liberties and  
the Administration of Justice  
U. S. House of Representatives  
Washington, D. C. 20515

Dear Mr. ~~Kastenmeier~~ *K*:

The "Uniform Federal Research and Development Utilization Act", H.R. 4564, was recently reported out of the House Science & Technology Committee and referred to your committee and to us for comment.

This Bill would extend to the entire private sector the right, provided last year by Public Law 96-517 to small businesses and non-profit institutions, to exercise the option to obtain title to patents developed with Federal R&D assistance. We are very supportive of this way of promoting commercial application of technologies developed with Federal support.

We have carefully reviewed this Bill and the companion Senate Bill, S.1657, and identified changes intended to strengthen such legislation and to reflect Administration policy and preferences. Such changes in the Bill would make it similar in many respects to the root statute, P.L. 96-517, thus preserving the patent policy improvements on which small businesses, non-profit organizations and universities are beginning to capitalize, and benefiting from the experience gained in the development of regulations needed to implement P.L. 96-517.

We believe strongly that special effort must be made to ensure that any new legislation tracks, as much as possible, the provisions of P.L. 96-517, in order to jeopardize neither the understandings developed in the passage and

implementation of that landmark legislation, nor the support of universities and small businesses in ~~your~~<sup>the</sup> effort to extend their newly won patent improvements to the entire private sector. For this reason, we consider the repeal of P.L. 96-517 by H.R. 4564 to be risky unless changes in H.R. 4564 such as those we suggest can be accomplished.

Specifically, there are four major points to which I would like to call your attention:

- (1) The goals of the legislation will be more readily achieved if a single agency provides overall leadership. We prefer that the legislation give the President responsibility for designating a lead agency (probably the Department of Commerce) to perform this function, and to work in concert with OMB, which would develop and promulgate administrative policy and regulations. Coordination could be fostered through OSTP's Federal Coordinating Council for Science, Engineering, and Technology.
- (2) The legislation should emphasize "first option in contractor" rather than some delicate balance of rights between the contractor and a government agency. Agencies should only be allowed to limit or eliminate the first option of the contractor in exceptional cases; for example, to protect intelligence activities, to cover situations in which the contractor is an entity in certain foreign countries, or

to handle other well-defined special circumstances. We do not believe that the recent amendment identifying recombinant DNA research as such an exceptional circumstance is in the national interest. Agency determination of those exceptional circumstances should be subject to the review of the lead agency, and if determinations are found to be contrary to legislative intent, the lead agency should be authorized to recommend corrective actions to the head of the agency concerned and to OMB, which would be authorized to take appropriate action.

- (3) The authority of the government to license Federal patents for commercialization should be exercised under procedures ~~which~~<sup>that</sup> ensure appropriate competition and exclusivity, much as is provided for in P.L. 96-517.
- (4) Government-owned contractor-operated entities should also have the option to obtain title, so that they will also have the incentive to commercialize their inventions.

I look forward to working with you and your colleagues on the passage and enactment of patent legislation which meets our common objectives.

OMB has advised that there is no objection from the standpoint of the Administration's program to the submission of this letter for your consideration.

Sincerely,

George A. Keyworth, II