



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20201

OFFICE OF THE
GENERAL COUNSEL

April 16, 1975

TO: Holders of DHEW Institutional Patent Agreements

SUBJECT: Information Item No. 28

Enclosed for your information is a proposal by the National Science Foundation to limit the use of Foundation funds for further development of inventions made under its awards where the inventing organization has been permitted to retain the principal rights.

Sincerely yours,

Norman J. Latker
Patent Counsel

Enclosure

NSF PROPOSES TO LIMIT USE OF FOUNDATION FUNDS FOR DEVELOPMENT

The National Science Foundation proposes a change in the rules governing ownership of inventions that would bar the use of Foundation funds for development of inventions made under its awards. If adopted, the change would appear to eliminate objections to NSF patent practices recently voiced by Senator William Proxmire (D-Wis). (See 220 PTCJ A-9)

The proposed amendments, which appear at 40 FR 12819, pertain to cases where the grantee has been allowed to retain the principal rights in NSF-funded inventions. Specifically the principal rights in an invention made under an NSF award would be granted only on the condition that no Foundation funds be used "for performing development, engineering, or design work directed toward a commercial embodiment of the invention." Exceptions to this rule could be approved by the Grants and Contracts Officer, and the prohibition would not "apply to efforts made to improve the invention for the primary purpose of enhancing its utility in connection with scientific research conducted by the grantee."

The text of the proposed amendments appears below:

[Text]

NATIONAL SCIENCE FOUNDATION
[45 CFR Part 650]

DISPOSITION OF RIGHTS IN INVENTIONS
Notice of Proposed Rule Making

Notice is hereby given that Part 650 of Title 45 of the Code of Federal Regulations is proposed to be amended as set forth below.

The proposed amendment provides for certain limitations on the use of Foundation funds for further development of inventions made in the course of or under Foundation awards in cases where the inventing organization has been allowed to retain principal rights in such inventions.

Interested persons are invited to submit written comments on these regulations to the Director, National Science Foundation, ATTN: Office of the General Counsel, Washington, D.C. 20550, by May 30, 1975.

It is proposed that Chapter VI, Part 650 of Title 45 of the Code of Federal Regulations be amended as follows:

PART 650—PATENTS

1. Section 650.8(c) is amended by adding the following after subsection (5) and renumbering subsection (6) as subsection (7).

§ 650.8 [Amended]

(c) * * *

(6) include a provision similar to that set forth in § 650.9(c) (2); and

2. Paragraphs (2) and (3) of § 650.9 (c) are renumbered (3) and (4) respectively. A new paragraph (2) is added as follows:

§ 650.9 [Amended]

(c) * * *

(2) The willingness of a grantee to assume the costs and risks associated with the bringing of an invention to the point of practical application is a significant factor influencing most determinations that the grantee should be allowed to retain principal rights in an invention made under the award. Consequently, a provision limiting the use of Foundation funds for further development of such inventions will normally be

included as a condition of each such determination. For this purpose, a provision such as the following shall be used:

(i) Unless specifically approved by the Grants and Contracts Officer, the grantee shall not use funds provided by the Foundation for performing development, engineering, or design work directed toward a commercial embodiment of the invention.

(ii) Paragraph (c) (2) (i) of this section shall not apply to efforts made to improve the invention for the primary purpose of enhancing its utility in connection with scientific research conducted by the grantee. Further to the extent that the work statement in the award or proposal upon which the award was based clearly specifies a line of research to be pursued, paragraph (c) (2) (i) of this section shall not apply to the pursuance of such research.

3. In the last paragraph of § 650.9(c) (4) (previously § 650.9(c) (3)) delete (2) and substitute (3) therefor.

Dated: March 14, 1975.

H. GUYFORD STEVER,
Director.

[End Text]