94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
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LOAN GUARANTEES FOR DEMONSTRATION OF NEW ENERGY TECHNOLOGIES

MAY 15, 1976.—Ordered to be printed

Mr. TEAGUE, from the Committee on Science and Technology, submitted the following

REPORT

together with

ADDITIONAL AND DISSENTING VIEWS

[Including cost estimate and comparison of the Congressional Budget Office]

[To accompany H.R. 12112]

The Committee on Science and Technology, to whom was referred the bill (H.R. 12112) to provide additional assistance to the Energy Research and Development Administration for the advancement of nonnuclear energy research, development, and demonstration, having considered the same, report favorably thereon with an amendment, and recommend that the bill, as amended, do pass.

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Section 18(g)(4)—Disposition of patents on default

Section 18(g)(4) provides that patents, including any invention for which a waiver is granted by ERDA under section 9 of this Act, and technology resulting from the demonstration facility shall be treated as project assets of such facility. The purpose of this provision is to make clear that in the event of default intangible assets such as patents inventions and technology are subject to claim by the United States in the same manner as tangible, physical assets. The term technology is intended to be all-inclusive and embrace such items as knowhow and trade secrets. Patents and technology may well be extremely valuable assets of a defaulted project, and should be available to the United States upon default.

The section directs that ERDA include in the loan guarantee agreements detailed provisions protecting the rights of the United States and other interested parties. At the same time the Committee appreciates that ERDA must have some flexibility to sort out the rights of all interested parties. This is merely a recognition of the complexities and subtleties attendant to patent and technology rights.

The typical project participant may well own some patents and technology outright while being the licensee of other such rights. One of the government's objectives upon default is to have available, for itself and its designees, the patents and technology necessary to complete and operate the defaulting project. The mixture of owned and licensed patents and technology complicates the simple achievement of this goal.

Another complexity of the disposition of patents and technology upon default is the problem of severing the borrower's background patents and technology from subsequent improvements thereon because of the project. If the improvements are severable, then they can be treated as project assets in a straightforward manner. However, where this is not possible, ERDA must have the flexibility to tailor its guarantee agreement to meet its needs for the continued operation of the project.

Section 18(g)(4) also provides that "the guarantee agreement shall contain a provision specifying that patents, technology, and other proprietary rights which are necessary for the completion or operation of the demonstration facility shall be available to the Government and its designees on equitable terms, including due consideration to the amount of the Government's default payments." The purpose of this authority is to insure that the full complement of patents and technology required for the limited purpose of completing and operating the defaulting project will be available to the government and its designees. Without this provision, it is conceivable that blocking patents and technology of the project participant or patents and technology licensed to the project participant by others might frustrate the ability of the United States or its designee to expeditiously and economically complete the project.

The section also provides that inventions made or conceived in the course of a guarantee for which title has vested in the United States shall not be treated as project assets for disposal purposes. However, ERDA may so determine in writing that this would be appropriate in achieving the purposes of the section and subject to such conditions as ERDA believes appropriate.

Section 18(r)—Patent policy

Section 18(r) provides that "inventions made or conceived in the course of or under a guarantee authorized by this section shall be subject to the title and waiver requirements and conditions of Section 9 of this Act." This provision reflects the intention of the Committee that all of the patent policy provisions, except subsection (b), of Section 9 of this Act shall be applicable to the loan guarantees as specified in subsection 18(b).

In lieu of the broad reporting requirements of subsection 9(b), therefore, the Committee determined to provide ERDA with sufficient flexibility to promulgate such rules and regulations pertaining to the filing of reports and information as it believes necessary or appropriate to effectively carry out its mission and to protect the interests of the United States and the public. Exclusion of subsection (b) should not be read as precluding ERDA from promulgating such rules and regulations.

The Committee was concerned about the possible impact of subsection 9(b) on trade secrets and other proprietary rights because of the reports required by the subsection. The concern existed that subsection 9(b) might adversely affect a project participant's background trade secrets and other proprietary rights if such information was made public. Rather than risk discouraging potential project participants from cooperating in this program because of possible uncertainty with respect to their background rights, the committee believes that the limited application of Section 9 together with the positive protection contained in Section 18(v) will adequately protect the holders of trade secrets and other proprietary rights.

The question of whether Section 9 of this Act concerning the Government ownership of patents resulting from ERDA contracts covered loan guarantees was considered by the Conference Committee on H.R. 3474 regarding the loan guarantee program proposed by Section 103 (H. Rept. No. 94–696). Divergent views existed on the question of whether or not section 9 (of its own force) applies to loan guarantees under accepted methods of legislative interpretation. The Committee adopted the approach of the conferees on H.R. 3474 by specifically making Section 9 (with the exception of Subsection (b)) applicable to the guarantees authorized by Subsection 18(b)(1) (A), (B), and (C).

The Committee recognizes that Federal involvement and exposure in research and development programs through loan guarantees is more remote than the immediacy of its involvement and exposure in the case of direct Federal expenditures through grants or loans. The applicable provisions of Section 9 provide sufficient flexibility and safeguards to balance the equities between federal ownership and waiver of title in particular situations. The remote nature of the federal involvement in loan guarantee situations justifies a corresponding adjustment in the balance of equities applied in judging requests for waivers of title. For this reason, the Committee determined that as to section 18 guarantees ERDA be permitted to exercise greater flexibility than previously specified in the Conference Report on the Federal Nonnuclear Energy Research and Development Act of 1974 with respect to the application of the waiver provisions of Section 9 of that Act.

The Committee notes with favor the definition of "invention" contained in Section 9(m)(4) of the Federal Nonnuclear Energy Research and Development Act, 42 U.S.C. 5908, i.e., "the term 'invention' means inventions or discoveries, whether patented or unpatented." This makes clear that the government's rights attach to all significant technological achievements whether or not a patent is formally issued with respect to such achievements. The purpose of the definition was to insure that the requirements of section 9 could not be circumvented by a failure to obtain a patent. The Committee endorses this safeguard.