

Congressman Bob Kastenmeier

2232 Rayburn Building
Washington, D.C. 20515
(202) 225-2906

Contact: Michael Remington
202/225-3926

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FOR RELEASE ON RECEIPT

KASTENMEIER SUBCOMMITTEE APPROVES PATENT LEGISLATION TO PROTECT JOBS

WASHINGTON, D. C. -- Congressman Bob Kastenmeier (D-Sun Prairie), Chairman of the House Judiciary Subcommittee on the Administration of Justice, reported that his Subcommittee today (September 20) approved legislation which would protect American jobs by closing certain loopholes in the patent law which encourage the manufacture in whole or in part of patented inventions outside the United States.

"Currently, loopholes in the patent law threaten American jobs in two ways," Kastenmeier noted. "First, it is possible for competitors of a patent owner to duplicate the patented process outside the United States and then market the resulting product in this country. Such action not only infringes on the patent, it also has a negative impact on the labor market insofar as products that would normally be produced in the U.S. are produced abroad and then imported into this country.

"Secondly," the Congressman continued, "existing law permits copiers of patented products to avoid U.S. patents by supplying components of a patented product in this country and completing the assembly of the components abroad. This, too, shortchanges the American worker who would normally be assembling the product here at home."

The bill would close these loopholes by permitting a patent owner to recover damages from an alleged infringer of a patent who markets a product in this country which is a result of a patent process practiced outside the U.S. It would also make liable for ~~copy~~ ^{patent} right infringement those who supply or cause to be supplied "all or a substantial portion" of the components of a patented product in a manner that could infringe the patent if such a combination occurred in the United States.

The bill, the Patent Law Amendments of 1984, is a combination of several bills introduced earlier this year by Kastenmeier, whose subcommittee has jurisdiction over patent law.

The measure also contains a provision which would be beneficial to universities, small business, and individuals who often cannot afford costly fees required to obtain full patents on inventions.

It would create a new section in the law establishing a procedure which would enable an inventor to secure patent protection which would prevent others from patenting the same invention, but would not permit the holder to exclude others from making, using or selling the invention. Such a procedure, in addition to avoiding the costs and time normally required in the lengthy examination process required for the granting of a patent, would allow the government and the private sector to make inventions public knowledge, while permitting those with limited resources a new, less expensive alternative to the traditional patenting of inventions.

Kastenmeier predicted that the full Judiciary Committee would consider the bill soon and noted that, since the Senate Judiciary Committee was processing similar legislation, prospects for action before adjournment of this Congress were good.

AMENDMENT NO. ___

Calendar No. ___

Purpose: To provide procedures regarding patent licenses and inventions owned by the Government.

IN THE SENATE OF THE UNITED STATES--98th Cong., 2d Sess.

S. 2171

To amend title 35 of the United States Code for the purpose of creating a uniform policy and procedure concerning patent rights in inventions developed with Federal assistance, and for other purposes.

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

Amendment In the Nature of a Substitute Intended to be proposed by Mr. Mathias

Viz:

1 Strike out all after the enacting clause and insert in
2 lieu thereof the following:

3 That chapter 18 of title 35, United States Code, is amended--

4 (1) by adding ``or any novel variety of plant which
5 is or may be protectable under the Plant Variety
6 Protection Act (7 U.S.C. 2321 et seq.)`` immediately
7 after ``title`` in section 201 (d);

8 (2) by adding ``: Provided, That in the case of a
9 variety of plant, the date of determination (as defined
10 in section 41 (d) of the Plant Variety Protection Act (7
11 U.S.C. 2401 (d))) must also occur during the period of
12 contract performance`` immediately after ``agreement`` in
13 section 201 (e);

14 (3) in section 202 (a), by striking out ``or`` before
15 ``(11)`` and inserting before the period at the end of
16 the first sentence the following: ``or (iv) when the
17 contractor is not located in the United States or does
18 not have a place of business located in the United
19 States``; and

20 (4) by amending paragraphs (1) and (2) of section 202
21 (b) to read as follows:

22 ``(b) (1) The rights of the Government under subsection

1 (a) shall not be exercised by a Federal agency unless it
2 first determines that at least one of the conditions
3 identified in clauses (i) through (iii) of subsection (a)
4 exists. Except in the case of subsection (a) (iii), the
5 agency shall file with the Secretary of Commerce, within
6 thirty days after the award of the applicable funding
7 agreement, a copy of such determination. In the case of a
8 determination under subsection (a) (ii), the statement shall
9 include an analysis justifying the determination. In the case
10 of determinations applicable to funding agreements with small
11 business firms, copies shall also be sent to the Chief
12 Counsel for Advocacy of the Small Business Administration. If
13 the Secretary of Commerce believes that any individual
14 determination or pattern of determinations is contrary to the
15 policies and objectives of this chapter or otherwise not in
16 conformance with this chapter, the Secretary shall so advise
17 the head of the agency concerned and the Administrator of the
18 Office of Federal Procurement Policy, and recommend
19 corrective actions.

20 "(2) Whenever the Administrator of the Office of Federal
21 Procurement Policy has determined that one or more Federal
22 agencies are utilizing the authority of clause (i) or (ii) of
23 subsection (a) of this section in a manner that is contrary
24 to the policies and objectives of this chapter, the
25 Administrator is authorized to issue regulations describing
26 classes of situations in which agencies may not exercise the
27 authorities of those clauses.";

28 (5) by amending paragraphs (1), (2), (3), and (4) of
29 section 202 (c) to read as follows:

30 "(1) That the contractor disclose each subject
31 invention to the Federal agency within a reasonable time
32 after it becomes known to contractor personnel
33 responsible for the administration of patent matters, and
34 that the Federal Government may receive title to any

1 subject invention not disclosed to it within such time.

2 "(2) That the contractor make a written election
3 within two years after disclosure to the Federal agency
4 (or such additional time as may be approved by the
5 Federal agency) whether the contractor will retain title
6 to a subject invention: Provided, That in any case where
7 publication, on sale, or public use, has initiated the
8 one year statutory period in which valid patent
9 protection can still be obtained in the United States,
10 the period for election may be shortened by the Federal
11 agency to a date that is not more than sixty days prior
12 to the end of the statutory period: And provided further,
13 That the Federal Government may receive title to any
14 subject invention in which the contractor does not elect
15 to retain rights or fails to elect rights within such
16 times.

17 "(3) That a contractor electing rights in a subject
18 invention agrees to file a patent application prior to
19 any statutory bar date that may occur under this title
20 due to publication, on sale, or public use, and shall
21 thereafter file corresponding patent applications in
22 other countries in which it wishes to retain title within
23 reasonable times, and that the Federal Government may
24 receive title to any subject inventions in the United
25 States or other countries in which the contractor has not
26 filed patent applications on the subject invention within
27 such times.

28 "(4) With respect to any invention in which the
29 contractor elects rights, the Federal agency shall have a
30 nonexclusive, nontransferrable, irrevocable, paid-up
31 license to practice or have practiced for or on behalf of
32 the United States any subject invention throughout the
33 world: Provided, That the funding agreement may provide
34 for such additional rights, including the right to assign

1 or have assigned foreign patent rights in the subject
 2 invention, as are determined by the agency as necessary
 3 for meeting the obligations of the United States under
 4 any treaty, international agreement, arrangement of
 5 cooperation, memorandum of understanding, or similar
 6 arrangement, including military agreements relating to
 7 weapons development and production.".

(6) by striking out "may" in section 202(c)(5) and inserting
 in lieu thereof ~~section~~ "as well as any information on utilization or
 efforts at obtaining utilization obtained as part of a proceeding under
 section ~~202~~ 203 of this chapter shall";

(6) insert 3

~~(6) by adding the following new subsection at the end
 of section 202:~~

~~"(g) A Federal agency may at any time waive all or any
 part of the rights of the United States under subsection (c)
 (4) of this section to any subject inventions made under a
 funding agreement or class of funding agreements if (1) such
 agency is authorized to make such a waiver with respect to a
 contractor other than a small business firm or nonprofit
 organization, and (2) the agency determines (A) that the
 interests of the United States and the general public will be
 best served thereby; or (B) the funding agreement involves
 cosponsored, cost sharing or joint venture research or the
 venturer is required to make or has made a substantial
 contribution of funds, facilities, or equipment to the work
 performed under the funding agreement. The agency shall
 maintain a record of determinations made under this
 subsection. Such record shall be available to the public and
 shall be periodically updated. In making such determinations
 under this paragraph, the agency shall consider at least the
 following objectives:~~

~~"(i) encouraging the wide availability to the public
 of the benefits of the experimental, developmental, or
 research program in the shortest practicable time;~~

~~"(ii) promoting the commercial utilization of such
 inventions; and~~

~~"(iii) encouraging participation by private persons,~~

1 Government-sponsored experimental, developmental, or
 2 research programs.

3 (7) by striking out "and which is not, itself,
 4 engaged in or does not hold a substantial interest in
 5 other organizations engaged in the manufacture or sales
 6 of products or the use of processes that might utilize
 7 the invention or be in competition with embodiments of
 8 the invention" in clause (A) of section 202 (c) (7);

(8) by striking out the words "five" and "eight" from clause (B) of section 202(c)(7) and inserting in lieu thereof the words "ten" and "thirteen" respectively;

(9) by ~~struck~~ striking out everything ~~after the semicolon~~ in section 202 (c)(7) after the semicolon at the end of clause (C) of that section and inserting in lieu thereof "(D) except with respect to a funding agreement for the operation of a Government-owned-contractor-operated facility, a requirement that the balance of any royalties or income earned by the contractor with respect to subject inventions, after payment of expenses (including payments to inventors) incidental to the administration of subject inventions, be utilized for the support of scientific research; and (E) with respect to a funding agreement for the operation of a Government-owned-contractor-operated facility, ⁽¹⁾ requirements that after payment of patenting costs, licensing costs, payments to inventors, and other expenses incidental to the administration of subject inventions, 100 percent of the balance of any royalties or income earned and retained by the contractor during any fiscal year, up to an amount equal to five percent of the annual budget of the facility, shall be used by the contractor for scientific research, development, and education consistent with the research and development mission and objectives of the facility, including activities that increase the licensing potential of other inventions of the facility; provided that if ~~the said~~ said balance exceeds five percent of the annual budget of the facility ~~in any one fiscal year~~, than 75 per cent of such excess shall be paid to the Treasury of the United States and the remaining 25 percent shall be used for the same purposes as described above in this clause (E); and ^(u) that, ~~ess~~ to the extent it provides the most effective technology transfer, the licensing of subject inventions shall be administered by contractor employees on location at the facility.

9 ~~(10)~~¹⁰ by adding at the end of section 203 the ←
10 following:

11 "A determination pursuant to this section shall not be
12 considered a contract dispute and shall not be subject to the
13 Contract Disputes Act (41 U.S.C. 601 et seq.). Any
14 contractor, assignee, or exclusive licensee adversely
15 affected by a determination under this section may, at any
16 time within sixty days after the determination is issued,
17 file a petition in the United States Claims Court, which
18 shall have jurisdiction to determine the manner de novo and
19 to affirm, reverse, or modify as appropriate, the
20 determination of the Federal agency."

21 ~~(11)~~¹¹ by amending section 206 to read as follows: ←

22 "§ 206. Uniform clauses and regulations

23 "The Secretary of Commerce may issue regulations which
24 may be made applicable to Federal agencies implementing the
25 provisions of sections 202 through 204 of this chapter and
26 shall establish standard funding agreement provisions
27 required under this chapter. The regulations and the standard
28 funding agreement shall be subject to public comment before
29 their issuance."

30 ~~(12)~~¹² in section 207 by inserting "(a)" before ←
31 "Each Federal" and by adding the following new
32 subsection at the end thereof:

33 "(b) For the purpose of assuring the effective
34 management of Government-owned inventions, the Secretary is

1 authorized to--

2 "(1) assist Federal agency efforts to promote the
3 licensing and utilization of Government-owned inventions;

4 "(2) assist Federal agencies in seeking protection
5 and maintaining inventions in foreign countries,
6 including the payment of fees and costs connected
7 therewith; and

8 "(3) consult with and advise Federal agencies as to
9 areas of science and technology research and development
10 with potential for commercial utilization."; and

11 (B) in section 208 by striking out "Administrator
12 of General Services" and inserting in lieu thereof
13 "Secretary of Commerce".

14 Sec. 2. (a) Part II of title 35 of the United States Code
15 is amended by adding at the end thereof the following:

16 "Chapter 19--Licensing and Assignment of Laboratory

17 Inventions

"Sec.

"212. Cooperative research and development programs.

"213. Duties of the Secretary.

"214. Definitions.

18 "§ 212. Cooperative research and development programs

19 "(a) The head of each Federal agency is authorized to
20 permit the directors of laboratories which are operated by
21 employees of such agency and which have adequate
22 administrative capabilities, to commit such laboratories to
23 cooperative research and development arrangements on matters
24 of mutual interest which are consistent with the laboratory
25 mission, with other Federal laboratories, units of State or
26 local government, industrial organizations, universities, or
27 other organizations or individuals including licensees of
28 laboratory inventions or general partners of research and
29 development limited partnerships.

30 "(b) In the course of any arrangement entered into
31 pursuant to subsection (a), the director of the laboratory
32 may--

1 “(1) accept funds, services, and property from
2 collaborating entities; and

3 “(2) grant patent licenses or assign future or
4 existing ownership rights in any laboratory invention in
5 which the Government has a right, or future right of
6 ownership, *Retaining such rights as the Federal agency deems appropriate*

7 “(c) In the course of any arrangement entered into
8 pursuant to subsection (a), the laboratory shall--

9 “(1) require royalties from an invention licensed or
10 assigned under any arrangement made under subsection (b),
11 and shall dispose of royalties received as follows:

12 “(A) pay at least fifteen percent of the
13 royalties received each year by the laboratory on
14 account of a laboratory invention to the laboratory
15 inventor of such invention;

16 “(B) of all royalties remaining after the
17 payment pursuant to subsection (a), use such
18 royalties to fund any mission-related research and
19 development of the laboratory, support employee
20 development and education, reward employees for
21 inventions of value to the Government that will not
22 produce royalties, or further scientific exchange,
23 and

24 “(C) deposit all other royalties in the United
25 States Treasury; and

26 “(2) allow a laboratory inventor to own--subject to
27 reservation by the Government of a non-exclusive, non-
28 transferable, irrevocable, paid-up license to practice or have
29 practiced for or on behalf of the United States throughout the
30 world--patent, and develop a laboratory invention which the
31 Government has the right to own but for which the Government has
32 determined not to seek a patent under this title for itself, and

33 “(3) report annually to the appropriate oversight
34 and appropriations committees of the Senate and the House
of Representatives detailing the amount of royalties
received and the expenditure of such royalties.

*inconsistent
with
in Director*

"§ 213. Duties of the Secretary

"(a) The Secretary of Commerce, in consultation with other Federal agencies and after opportunity for public comment, shall issue, monitor, and amend, as necessary, guidelines for voluntary use by the Federal agencies for --

"(1) techniques and procedures to use to aid in the early determination of the commercial potential of new technologies generated in performance of Federal laboratory research;

"(2) training courses to be ^{DEVELOPED AND} administered by the Secretary to --

"(A) increase the awareness of laboratory researchers regarding potential inventions; and

"(B) communicate the essentials for options for commercialization which are available to the Federal laboratories;

"(3) provisions for the disposition of inventions pursuant to clause (b)(2) of section 212, including the protection of the Government's interests, as necessary.

"(b) The head of each Federal agency, upon consultation with the Secretary, may adopt, supplement or revise the guidelines issued pursuant to clauses (a)(1) and (3) of this section consistent with the mission of the Federal agency concerned.

"(c) The Secretary shall, upon request, furnish advice and assistance to laboratory directors pursuant to section 212.

27 ^d
28 ~~(c)~~ The Secretary shall submit an annual report to the
29 President and Congress on the activities and accomplishments
29 of the cooperative research and development program,
30 including technologies being developed through cooperative
31 research and development arrangements made under the
32 authority of section 212, and recommendations for legislative
33 changes if deemed desirable. The first such reports shall be
34 submitted one year after the date of enactment of this

1 chapter.

2 ``§ 214. Definitions

3 ``As used in this chapter the term--

4 ``(1) 'Federal agency' means any executive agency as
5 defined in section 105 of title 5, United States Code,
6 and the military departments as defined in section 102 of
7 such title;

8 ``(2) 'laboratory' means a facility owned, leased, or
9 used by a Federal agency, a substantial purpose of which
10 is the performance of research and development by
11 Government employees;

12 ``(3) 'laboratory invention' means any invention or
13 discovery which is or may be patentable or otherwise
14 protectable under this title, and is reportable to the
15 Federal Agency for determination of ownership;

16 ``(4) 'laboratory inventor' means a Government
17 employee of the laboratory who has made a laboratory
18 invention;

19 ``(5) 'cooperative research and development
20 arrangement' means any agreement between a Federal
21 laboratory and one or more non-Federal parties under
22 which all parties agree to--

23 ``(A) apply resources to conduct specified
24 research and development, or

25 ``(B) license or assign laboratory inventions for
26 commercial use; and

27 ``(6) 'Secretary' means the Secretary of Commerce.''

28 (b) The table of chapters for part II of title 35, United
29 States Code, is amended by adding at the end thereof the
30 following:

``19. Patents and Licenses Owned by the Government...212''.

31 Sec. 3. (a) The Director of the Office of Personnel
32 Management shall, in coordination with the Secretary of
33 Commerce and the heads of Federal agencies with Government

1 operated laboratories, promulgate such regulations,
2 consistent with the provisions of chapter 11 of title 18,
3 United States Code, and Executive Order Numbered 11222, as
4 are needed to permit Federal employees to accept royalty
5 payments and participate in further commercial efforts
6 regarding their inventions.

7 (b) Federal employees who accept such royalty payments or
8 participate in efforts to commercialize their inventions
9 pursuant to such regulations shall not, because of such
10 acceptance or participation--

11 (1) be deemed to be in violation of chapter 11 of
12 title 18 of the United States Code, or

13 (2) be deemed to have accepted awards under--

14 (A) sections 4521 through 4525 of title 5 of the
15 United States Code,

16 (B) section 1124 of title 10 of the United States
17 Code, or

18 (C) implementing regulations under these
19 sections.

20 (c) For the purposes of this section "Federal
21 employees" shall include a "special Government employee"
22 as defined in section 202 of title 18, United States Code.

23 Sec. 4. All agencies of the Federal Government are
24 authorized and directed to assist the Secretary of Commerce,
25 the Director of the Office of Personnel Management, and the
26 directors of Federal laboratories in exercising their
27 responsibilities under sections 2 and 3 and the amendments
28 made by such sections.