DRAFT AMENDMENTS TO H.R. 6249

1. On line 4 of p. 11 change the word "ten" to "eight". On lines 4 and 5 of p. 11 delete the words "the subject invention was made" and substitute "a United States patent issues".

2. After line 9 on p. 12 add the following new subsections (c) and (d) to section 313:

> "(c) In any case, determinations made under section 313(a)(2)(C), (D), or (E) shall only be made after the contractor is advised in advance that the Federal agency is considering taking such an action, and only after an opportunity for hearing if so requested by the contractor, its assignee, or a licensee of either.
>
> "(d) Any hearing conducted pursuant to paragraph (b) and (c) of this section 313 shall not be subject to the provisions of 5 U.S.C. 554, 555, or 556; however, all interested parties shall have the right to present either written or oral testimony and to provide rebuttal testimony. The agency's determination shall be accompanied by a written statement of findings and conclusions."

3. On p. 15 revise line 23 to read as follows:

> "Sec. 316. (a) Any contractor, its assignee, or a licensee of either adversely affected by a Federal".

On line 25 of p. 15 delete "or undersubsection (a), (b)," and on line 1 of p. 16 delete "or (c) of section 315". In line 5 of p. 16 change the word "determination" to "action".

4. On p. 16 after line 5 add the following new subparagraph (b) of section 316:

> (b) Other Federal agencies or other persons adversely affected by an agency determination under section 313(a)(2)(D) or (E) may at any time within sixty days after the determination is issued, file a petition to the United States Court of Claims requesting review, and the Court of Claims may hold unlawful and set aside agency action, findings, and conclusions which are found to be as set forth in 5 U.S.C. 706(a)(A)-(E).

5. Revise lines 12 and 13 on p. 10 to read as follows:

> "(i) to alleviate health or safety needs which are not reasonably satisfied"

6. P. 7, line 24, delete the word promptly" and add the word "prompt" before the word "disclosure" on p. 7, line 25. On p. 8, line 2, add "within a prescribed time thereafter or such longer periods as may be agreed to by the Federal agency" after the word "election".

7. At the end of line 15 on p. 13 add the following"

> "Such determination shall be final and not subject to any form of judicial review."

8. Delete line 5 of p. 9 and the word "license" on p. 9, line 6.

9. On p. 12, line 11, delete the words "a defeasible".

10. On p. 12, lines 16-18, delete the words "permit the contractor to retain exclusive commercial rights to the invention" and before the word "subject" on line 18 of p. 12 add the word "be".

11. On p. 13, line 6, delete the words "of the contractor's exclusive commercial rights".

12. Substitute the following for line 20 on p. 12:

> "inventor may retain the same rights as the contractor under this sub-"

13. On p. 9 delete lines 12-16 and substitute the following:

> "require reports on the use or intended use of subject inventions at specified intervals or with respect to individual subject inventions when requested."

14. On p. 7 delete lines 13-22 and substitute the following:

"Sec. 311. Each Government contract shall contain a patent rights clause which shall include the provisions required by or as necessary to implement Sections 312, 313, 314, and subsections (a), (b), and (c) of Section 315."

On p. 15 delete lines 1-7 and substitute the following:

"(d)(1) An agency may vary its patent rights clause on a case by case basis from the provisions required by this Act, provided that such variances shall be published in the Federal Register and transmitted to the Council for performance of its functions under Section 201 of this Act.

(2) By regulation agencies"

PURPOSE OF DRAFT AMENDMENTS

The numbering in this paper corresponds to the numbering on the attached paper entitled Draft Amendments to H.R. 6249.

Amendment 1.

As now written section 313(a)(2)(E) provides for mandatory licensing "ten years from the date the subject invention was made." Section 511(i) defines "made" as "conception or first actual reduction to practice." These are imprecise concepts and in most cases there could be considerable argument over when the invention was "conceived" or "reduced to practice." In any case, in many cases "conception" or "reduction to practice" takes place long before a patent application is filed or a patent issues. It is even possible under the bill's language that mandatory licensing would be required before a patent issues. The purpose of the amendment is to correct this problem by substituting a date certain.

Amendments 2, 3, and 4.

These are a related set of amendments pertaining to hearing and appeals procedures under the "march-in" provisions of the bill. As now written these provisions may inhibit investment in Government supported inventions because potential licensees, especially smaller concerns, may be open to excessive harassment by competitors, and thus shy away from investing in the further development of such inventions. For the same reasons the procedural rights of the contractor vis-a-vis the Government need clarification.

For example, the bill is silent on when contractors are entitled to a hearing in section 313(a)(2)(C) cases and only makes this optional in section 313(a)(2)(D) and (E) cases. Also, while H.R. 6249 does not appear to require a full APA type hearing, it does allow "any person adversely affected" to obtain a de novo hearing in the Court of Claims. It seems that this language would likely be construed to allow competitors or others who initiated or participated in the hearing to bring a de novo appeal especially in Section 313(a)(2)(D) and (E) cases. Such a procedure effectively removes the decision-making power from the agency and places it in a court. The agency proceeding will largely be meaningless, and competitors or other persons who purport to represent the public interest will be in a position to force the contractor and his licensee to go through a lengthy and expensive process. This costly process would be an especially easy means for dominant members of the industry to

harass smaller competitors. The only party that should have standing to appeal an agency's decision on a de novo basis is the contractor, his licensees, or assignees. Moreover, the right of appeal by parties other than the contractor should be limited to Section 313(a)(2)(D) and (E) cases, and no appeal should be permitted of Section 313(a)(2)(C) determinations. The latter creates a rather sweeping march-in right with no time set on its exercise. Because of this, its use should be left to the discretion of the agency with a right of appeal by an adversely affected contractor. Other parties will be able to force judicial review at a later date under Section 313(a)(2)(E), but to allow competitors the means to attack a competitor immediately will discourage the development of Government supported inventions, especially by smaller companies.

In line with the above, the purposes of amendments 2, 3, and 4 are to:

(i) Make it clear that a contractor is always entitled to advance notification and a hearing, ~~if~~ he requests, before any Government action is taken under sections 313(a)(2)(C)-(E);

(ii) To allow the contractor the right to a de novo review of any agency decision under section 313(a)(2)(C)-(E);

(iii) To eliminate any right of appeal by parties other than the contractor in section 313(a)(2)(C) cases;

(iv) To limit judicial review under section 313(a)(2)(D) and (E) cases, when the appeal is by a contractor's competitor or other person adversely affected by the agencies decisions, to a review on the agency record rather than de novo; and

(v) To make it clear that agency hearings are not required to comply with all the requirements of the Administrative Procedures Act, but at the same time require certain minimum requirements, including a requirement that the agency prepare findings of fact and conclusions, so as to provide a suitable record for judicial review of appeals that are not de novo.

Amendment 3 also eliminates any right of appeal by any party of section 315(a)-(c) matters. Section 315(b) and (c) actually are subsumed as part of section 313(a)(2)(C)-(E) cases, and the change of the word "determination" on p. 16, line 5 to "action" is intended to show that the appeal is to the entire decision and remedy prescribed by the agency and not just the "determination." Deletion of the reference to section 315(a) is related to amendment 7 discussed below.

Amendment 5

Section 313(a)(D)(i) ties "march-in" rights to "welfare needs." "Welfare" is much too broad a concept, and goes well beyond "health and safety." The President's Statement on Government Patent Policy does not include such a provision. Such a broad and nebulous basis for march-in may deter many potential liceses. The proposed amendment would drop the reference to "welfare needs."

Amendment 6

As now written section 312 could be interpreted in a way that might force premature elections prior to the time a contractor has had an opportunity to evaluate the commercial potential of the invention. The proposed amendment makes it clear that the implementing clauses could provide for a flexible system of elesting rights.

Amendments 7 and 11

Amendment 11 is merely an attempt to correct an inaccurate description of what the period in section 313(a)(2)(E) is. It is not the period "of the contractor's exclusive commercial rights" as now stated. Rather it is the period after which march-in under section 313(a)(2)(E) may be exercised. Amendment 7 ties in with Amendment 3 and is intended to make it clear that an agency's decision either to extend the section 313(a)(2)(e) period or to refuse to extend it are not subject to appeal or judicial review. In some instances, such extensions may be necessary to allow the successful licensing of an invention. A right of appeal coupled with the public notice requirement would be a sure invitation to litigation by dominant competitors of the proposed licensee.

Amendment 8

The purpose of amendment 8 is to eliminate the requirement that a license be given to State and local governments. This is an ill-advised requirement that tends to discourage the further development of inventions likely to be purchased primarily by State and local governments.

Amendment 9 and 10

Amendment 9 is a technical amendment designed to eliminate two words that are meaningless in the context of this bill. Similarly, amendment 10 drops a meaningless and unnecessary phrase.

Amendment 12

Amendment 12 is a technical amendment which is intended to better state what is believed to be the intent of the current language.

Amendment 13

Amendment 13 is a technical amendment which is intended to better state what is believed to be the intent of the current language.

Amendment 14

The purpose of the amendments proposed in 14 is to allow agencies to prescribe their own clauses for grants. Under the Federal Property and Administrative Services Act and the Armed Service Procurement Act, DOD and GSA would continue to have authority to prescribe standard patent clauses for use in procurement contracts.

achieve practical application of the subject invention in such field of use.

(D) the Federal agency shall have the right to require the contractor to grant a nonexclusive, partially exclusive, or exclusive license to a responsible applicant or applicants, upon terms reasonable under the circumstances, or to determine that it should grant such a license itself, following public notice and opportunity for a hearing, upon a petition by an interested person justifying such hearing, if the Federal agency determines, upon review of such material as the agency deems relevant, and after the contractor or such other interested person has had the opporunity to provide such relevant and material information as the agency may require, [~~or, if the contractor refuses, to grant such a license itself if the agency determines in in accordance with subsection (b),~~] that such action is necessary.

(i) to alleviate health, safety, or welfare needs which are not reasonably satisfied by the contractor or its licensees;

(ii) [~~to meet requirements~~] to the extent that the subject invention is required for public use specified by Federal regulation, [~~which are not reasonably satisfied by~~] provided the contractor and/or its licensees[~~, or~~] are not satisfying market needs created by the Federal regulations consistent with conditions reasonable under the circumstances;

(iii) because the exclusive rights to such subject invention in the contractor have tended substantially to lessen competition or to result in undue market concentration in any section of the United States in any line of commerce to which the technology relates, or to create or

maintain other situations inconsistent with the antitrust laws; and

(E) the Federal agency shall have the right, commencing ten years from the date the subject invention was made or seven years after first public use or on sale in the United States, whichever occurs first (excepting that time before Federal regulatory agencies necessary to obtain premarket clearance), to require the contractor to grant a nonexclusive, partially exclusive, or exclusive license to a responsible applicant or applicants, upon terms reasonable under the circumstances, or, to determine that the Federal agency should [~~if the contractor refuses, to~~] grant such a license itself, following public notice and opportunity for a hearing, upon a petition by a prospective licensee who has attempted unsuccessfully to obtain such a license from the contractor and justifying such a hearing, if [~~such~~] the agency determines[~~, in accordance with subsection (b)~~] (in view of the factors set forth in section 315(b)) that such licensing would best support the overall purposes of this Act, except that this subparagraph shall not apply to contractors who are small business firms as defined by the Small Business Administration.

[~~(b) The determinations required under subparagraphs (D) and (E) to be made in accordance with this subsection shall be made upon the basis of such information as may be presented by the contractor, any interested person, or any Federal agency. Such determination shall be made after public notice and opportunity for hearing if~~--

~~(1) in the case of subparagraph (D), such a hearing is requested by any interested person justifying such a hearing, and~~

~~(2) in the case of subparagraph (E), such a hearing is requested by a prospective licensee, who has attempted unsuccessfully to obtain such a license from the contractor, justifying such a hearing.~~