

DRAFT

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20500

September , 1976

Honorable Carl Albert
Speaker of the House
of Representatives and
Washington, D. C. 20515

Honorable Nelson A. Rockefeller
President of the Senate
United States Senate
Washington, D. C. 20510

Dear Mr. Speaker:

Dear Mr. President:

Enclosed are six copies of a draft bill

"To establish a uniform Federal policy for intellectual property arising from Federally-sponsored research and development; to protect and encourage utilization of such technology and to further the public interest of the United States domestically and abroad; and for other related purposes,"

to be cited as the "Federal Intellectual Property Act of 1976," together with a statement of purpose and need and a section-by-section analysis.

We have been advised by the Office of Management and Budget there would be no objection to the submission of our draft bill to the Congress and further that its enactment would be in accord with the President's program.

Sincerely,

H. Guyford Stever
Director
Office of Science and
Technology Policy

Elliott L. Richardson
Secretary of Commerce

Enclosures

STATEMENT
OF
PURPOSE AND NEED

The draft Bill, cosponsored by the Office of Science and Technology Policy and the Department of Commerce, is directed toward establishing for the first time a uniform Federal policy on patentable technology and other intellectual property resulting from Federally-sponsored research and development (R&D). To this end, the Bill sets forth a policy for the (1) allocation of rights to all inventions (contractor and Federal employee) which result from Federal R&D programs, (2) protection of these invention rights through domestic and foreign patenting, and (3) licensing and commercialization of the patented and related technology.

BACKGROUND

Since World War II, the Federal Government has increasingly supported the overall R&D effort of the United States, and, at least initially, the patent policies of the Federal agencies were generally fashioned without any central guidance or overall coordination.

Federal Employee Inventions

In 1950, President Truman, in an attempt to bring about consistency in the allocation of rights to inventions made by Federal employees, issued Executive Order 10096.¹ This Executive Branch directive, generally based upon the common law principles for allocating invention rights to employees not otherwise

under contract, covered most but not all Federal employees. The Executive Order recently was challenged successfully in a District Court of Illinois.^{2/}

Contractor Inventions

With the increase in size of the Federal Government's R&D effort, the individual Federal agencies reacted differently to the problem of allocating rights to inventions. Some agencies, notably the Department of Defense, acquired a royalty-free license to resulting inventions and permitted the contractor to retain title, or what might otherwise be described as exclusive commercial rights. Other agencies conducting research of interest to the private sector, such as the Department of Health, Education, and Welfare, decided to acquire full right, title and interest to inventions developed under their R&D contracts. Finally, some agencies simply ignored the issue, which, in effect, permitted the contractor to retain all rights to inventions.

As Congress became more concerned with rights to inventions, it enacted differing legislative policies for new R&D programs. In some instances, the Congress provided guidance for the entire R&D effort of an agency, while in others, for only a specified R&D program. Generally, the Congress required the Federal Government to take title to all inventions.

As the issues developed prior to 1963, most arguments, positions, and proposed solutions supported Government-take-all

or contractor-take-all. That is, some believed that the Government should always take title to all inventions resulting from R&D contracts (normally referred to as the "title policy"), while others advocated that the Government should acquire only a license to use these inventions (normally referred to as the "license policy").

In 1963, President Kennedy issued a Statement on Government Patent Policy,^{3/} to bring about more uniformity in agency practices. The policy applied to the R&D programs of all Federal agencies except where it conflicted with specific statutory requirements.

The 1963 Policy Statement took the approach of identifying certain types of contracting situations where it would appear that, under an initial presumption, the public interest would best be served by Federal acquisition of title, and other contracting situations where it would appear that such rights would best be retained by the contractor. In addition, recognizing that the policy solution was based upon basic assumptions and a limited amount of factual information, the policy specified exceptions to the general rules and provided public interest safeguards where undesirable results might occur.

An unsuccessful attempt to obtain uniformity through legislative action occurred in 1965.^{4/} The result of Congressional hearings on the then proposed legislation was a Bill providing for a uniform Federal policy recommending substantially the

same criteria set forth in the Kennedy Statement. While the Bill was reported out of Committee, no further Congressional action was taken.

In late 1965, the Federal Council for Science and Technology (FCST) established the Committee on Government Patent Policy for the purpose of assessing how the Kennedy Statement had worked in practice, to acquire and analyze additional information that would contribute to the reaffirmation or modification of the policy, and to identify principles that would underline sound legislation in this area. The prime impetus for creating this interagency Committee was that the Executive Branch was being pressed for its position on a uniform Federal patent policy bill, and the Committee, composed of policy level officials, provided a forum for developing such a position.

To fulfill its originating functions, the Committee supported what is perhaps the most extensive study ever conducted on the Federal patent policy issue. The results of this study, conducted by Harbridge House, Inc., of Boston, Massachusetts, are reported in a four-volume work.^{5/} The Harbridge House study suggested that no single across-the-board policy is in the best interest of the public; that is, neither the "title" nor the "license" policy is a proper solution.

Based upon its analysis of the results of the Harbridge House study and the operating experience under the Kennedy Statement, the Committee concluded that the criteria specified

in the 1963 Statement, with minor revisions, satisfied the policy needs identified by the Harbridge House study. Accordingly, in 1969 the Committee recommended that if legislation was to be proposed, it should follow the basic criteria of the Kennedy Statement. As an alternative, the Committee recommended that modifications be made to the Kennedy Statement directed primarily toward increasing the Federal agencies' flexibility under the policy, and providing direction to the agencies for the licensing of Federally-owned inventions. The Department of Justice did not concur in all the conclusions and recommendations made by the Committee, but it was in agreement with the reissuance of the Presidential Policy Statement. The Department of Justice believed additional studies and operating experience under a new Policy Statement should be obtained before a definite position on legislation should be taken. Accordingly, legislation was not sought at that time. Instead, President Nixon issued a revised Statement on Government Patent Policy^{6/} incorporating the modifications recommended by the Committee.

LAWSUITS ON REGULATIONS IMPLEMENTING
THE 1971 PRESIDENTIAL STATEMENT

Federal Property Management Regulations (FPMR)

Section 2 of the 1971 Nixon Statement directs the Administrator of General Services to issue regulations for the comprehensive licensing of Federally-owned inventions. In

January 1973, the Administrator issued an amendment to the Federal Property Management Regulations concerned with the licensing of Federally-owned inventions.7/

The validity of this regulation was challenged in a complaint filed in the U.S. District Court by Public Citizen, Inc., et al.8/ The prime allegation of the complaint was that the exclusive licensing of a Federally-owned patent constituted a disposal of property in violation of Article IV, Section 3, Clause 2 of the Constitution. The District Court found for the Plaintiffs and directed the Administrator to take immediate steps to void the licensing regulations. Accordingly, the Administrator suspended the licensing regulations and directed the agencies to taken no action pursuant thereto until further notice.9/

The Government appealed,10/ and on June 16, 1975 the Court of Appeals adjudged that the appellees were without standing, in consequence of which it reversed the findings of the District Court. On October 1, 1975, the Administrator reinstated the licensing regulations.11/ It is noted that the Court did not address the merits of the allegations made in the lawsuits. Accordingly, the legality of any exclusive license which a Federal agency, not having specific legislative authority, may grant under this regulation remains untested.

Federal Procurement Regulations (FPR)

Following the issuance of the 1971 Statement, regulations providing for standard patent rights clauses for use by all the Federal agencies were drafted and subsequently promulgated by the Administrator of General Services in August 1973.^{12/}

The validity of these regulations was also challenged in a complaint filed in the United States District Court for the District of Columbia.^{13/} Plaintiffs alleged that whenever the Government acquired less than title in a Government contract, the Government was, in effect, disposing of property in violation of Article IV, Section 3, Clause 2 of the Constitution. In view of the lawsuit, the Administrator cancelled the regulations.

On July 24, 1974, the Court dismissed the complaint on the grounds that no plaintiffs had alleged sufficient standing to sue. The plaintiffs appealed the dismissal; however, on June 16, 1975, the Court of Appeals affirmed the judgement of the District Court.^{14/}

The regulations were reissued in May 1975;^{15/} however, again, the court did not address itself to the merits of the allegations made in the complaint.

COMMISSION ON
GOVERNMENT PROCUREMENT

In November 1969, Congress established, by Public Law 91-129, the Commission on Government Procurement to study and recommend

methods "to promote the economy, efficiency and effectiveness" of procurement by the Executive Branch of the Federal Government. Industry, the trade and bar associations, individuals, members of the Executive Branch, and a full-time staff assigned to the Commission assisted in the development of the Commission Report which was rendered to the Congress on December 31, 1972.^{16/} The bipartisan report contains 149 recommendations, 16 of which are related to patent, data and copyright matters.

Recommendation No. 1 of Part I, Volume IV of the Report states:

"Implement the revised Presidential Statement of Government Patent Policy promptly and uniformly."

Recommendation No. 2 states:

"Enact legislation to make clear the authority of all agencies to issue exclusive licenses under patents held by them."

Recommendation No. 1 was partially implemented with the issuance of the FPMR (licensing regulation) and the FPR (standard patent rights clause). However, if uniformity is to be achieved, a corollary of Recommendation No. 1 requires the repeal of all conflicting statutory provisions. Repeal of such provisions requires legislation as does the implementation of Recommendation No. 2.

During the September 23, 1975 meeting of the FCST Committee on Government Patent Policy, it was decided to prepare drafts of an Administration Bill to implement these recommendations

of the Commission's Report. In later meetings, after considering several proposals, the Committee unanimously agreed that the policy concepts of the so-called "Alternate Approach" set forth in the Commission's report should provide the basis for such legislation. Briefly, the policy concept of the Alternate Approach provides a balanced approach to the longstanding policy issue by permitting the contractor to retain invention rights subject to the usual license to the Federal Government and a requirement that third parties be licensed under resulting patents in specified public interest situations.

DRAFT BILL

A summary of the draft Bill approved by the Committee on Government Patent Policy follows:

TITLE I--FEDERAL INTELLECTUAL PROPERTY POLICY

Title I states as the primary purpose of the Act the establishment of a Federal Intellectual Property Policy based on the findings that inventions resulting from Federal research and development constitute a valuable national resource which should be appropriately protected by domestic and foreign patents and rights therein allocated in a manner which recognizes the equities of Federal employees and contractors while pursuing the mechanism most likely to promote their utilization in the national interest.

TITLE II--FUNCTIONS OF THE OFFICE OF SCIENCE
AND TECHNOLOGY POLICY AND FEDERAL
COORDINATING COUNCIL FOR SCIENCE,
ENGINEERING AND TECHNOLOGY

Title II provides to the Federal Coordinating Council for Science, Engineering and Technology (established by Title IV, P.L. 94-282, The National Science and Technology Policy, Organization and Priorities Act of 1976) the more specific responsibilities, and the means to exercise them, of making recommendations on intellectual property matters to the Office of Science and Technology Policy for the purpose of implementing this Act and the policy objectives of P.L. 94-282. Such responsibility also includes advising on the impact of use, ownership or licensing of trademarks, copyrights, right-in-technical data and matters connected therewith on Federal programs.

In addition, Title II provides for a Board on Intellectual Property for the purpose of making determinations and hearing appeals as provided for in the Act.

TITLE III--ALLOCATION OF PROPERTY RIGHTS IN INVENTIONS
RESULTING FROM FEDERALLY-SPONSORED RESEARCH
AND DEVELOPMENT

Chapter 1--Inventions of Contractors

Chapter 1 of Title III provides for a single patent rights clause that normally is to be used in all Federally-funded contracts. The clause is intended to meet the competing policy objectives of

1. encouraging the participation of the most qualified and competent contractors,
2. fostering competition,
3. promoting the widespread utilization of inventions resulting from such research, and
4. reducing the burden of both the Federal agencies and their contractors in the administration of invention matters,

while maintaining the uniform principles called for by Title I, Sec. 101.(c)(4) of P.L. 94-282.

Chapter 1 also establishes procedures within which the Federal agencies may modify the single patent rights clause in situations which are deemed to be outside normal expectations or pose considerations radically different from those that arise in conventional negotiations for research and development services. Notwithstanding, the procedures are designed to assure uniformity of application through regulations, publication and post review.

Chapter 2--Inventions of Federal Employees

Chapter 2 of Title III establishes the criteria for allocation of rights between the Federal agencies and their employees in inventions made by such employees.

Chapter 2 further provides for an Incentive Awards and/or Royalty-sharing Program to be implemented at the discretion of the Federal agencies in order to monetarily reward or otherwise recognize Federal employees, stimulate inventive creativeness and encourage disclosure of inventions for purposes of enhancing utilization.

TITLE IV--DOMESTIC AND FOREIGN PROTECTION AND LICENSING OF FEDERALLY-OWNED INVENTIONS

Title IV provides the authorities and responsibilities in the Federal agencies deemed necessary to administer effectively a program or programs for the domestic and foreign licensing of Federally-owned inventions. The inventions include those that contractors have assigned to the Federal agencies under the provisions of Title III, Chapter 1, due to disinterest or failure to pursue utilization, and those acquired from Federal employees under the criteria of Title III, Chapter 2.

TITLE V--MISCELLANEOUS

Chapter 1--Other Related Provisions

Chapter 1 of Title V sets forth the definitions for the purposes of this Act for, "Federal agency," "Federal employees," "contractor," "contract," "invention," "Subject Invention," "practical application," "person," "made," and "antitrust law."

In addition, Chapter 1 clearly removes any implication that the Act provides immunity from the antitrust laws.

Chapter 2--Amendments to Other Acts

Chapter 2 of Title V is intended to amend or repeal parts of all Acts covering similar subject matter.

Chapter 3--Effective Date Provision

Chapter 3 of Title V establishes the effective date of this Act.

CONCLUSIONS

Enactment of this Bill would resolve longstanding policy issues, answers to which Congress, the Executive Branch, Industry and the public-at-large have actively sought for approximately thirty-six years. Further the Bill is responsive to the Commission on Government Procurement recommendations, set forth in the bipartisan report to the Congress that legislation be enacted which would make uniform the Federal practices in the area of allocating the rights to contractor inventions and make clear the authority to grant exclusive licenses under Federally-owned inventions. The Bill would also codify the basic policy concepts of Executive Order 10096, the provisions of which would be uniformly applicable to all Federal employees. In addition, passage of this Bill would overcome any remaining legal questions raised by past and pending litigation.

It is anticipated that, following implementation of the Act, greater commercial use will be made of the technology and intellectual property resulting from the Federal Government's total R&D effort and this in turn will create additional employment, a higher standard of living, and an overall economic benefit to the United States and the general public.

- 1/ Executive Order 10096: "Providing for a Uniform Policy for the Government with Respect to Inventions Made by Government Employees and for the Administration of Such Policy," President Harry S. Truman, January 23, 1950 (3 CFR, 1949-1953 Comp., p.292); as amended by Executive Order No. 10930: "Providing for the Abolishment of the Government Patents Board and Providing for the Performance of its Functions," President John F. Kennedy, March 23, 1961 (26 F.R. 2583, March 28, 1961).
- 2/ Ervin Kaplan vs. Donald E. Johnson, Administrator, and John J. Corcoran, General Counsel, Veterans Administration, No. 74-C2004, United States District Court for the Northern District of Illinois, Eastern Division, February 18, 1976.
- 3/ Memorandum and Statement of Government Patent Policy Issued by President John F. Kennedy on October 10, 1963. (Published F.R., Vol. 28, No. 200, October 12, 1963.)
- 4/ S.1809. On April 23, 1965, Senator McClellan introduced in the 89th Congress, 1st Session, a Bill "To Establish a Uniform National Policy Concerning Property Rights to Inventions Made Through the Expenditure of Public Funds, and For Other Purposes." The Bill was amended and accepted by the Senate Judiciary Committee as the "Federal Inventions Act of 1966." (No vote by full Senate.)
- 5/ Government Patent Policy Study by Harbridge House, Inc., Boston, Massachusetts, Volumes I-IV, May 17, 1968. Superintendent of Documents, U.S. Printing Office, Washington, D. C. 20402 - Contract No. 7-35087.
- 6/ Memorandum and Statement on Government Patent Policy Issued by President Richard M. Nixon on August 23, 1971. (Published F.R., Vol. 66, No. 166, August 26, 1971.)
- 7/ Amendment A-16 to Federal Property Management Regulations Issued January 29, 1973. (F.R., Vol. 38, No. 23, February 5, 1973.)
- 8/ Public Citizen, Inc., et al. vs Arthur F. Sampson, GSA (Civil Action No. 781-73), United States District Court for the District of Columbia.
- 9/ FPMR Temp. Reg. A-10 to Federal Property Management Regulations Issued February 12, 1974. (F.R., Vol. 39, No. 34, February 19, 1974.)

- 10/ Arthur F. Sampson, GSA, vs Public Citizen, Inc., et al. (Civil Action No. 74-1619), United States District Court of Appeals for the District of Columbia Circuit.
- 11/ Amendment A-10 to Federal Property Management Regulations Issued October 1, 1975. (F.R., Vol. 40, No. 199, October 14, 1975.)
- 12/ Amendment 116 to Federal Procurement Regulations Issued August 29, 1973. (F.R., Vol. 38, No. 170, September 4, 1973.)
- 13/ Public Citizen, Inc., et al., vs Arthur F. Sampson, GSA. (Civil Action 74-303), United States District Court for the District of Columbia.
- 14/ Public Citizen, Inc., et al., vs Arthur F. Sampson, GSA (Civil Action No. 74-1849), United States Court of Appeals for the District of Columbia Circuit.
- 15/ Amendment 147 to Federal Procurement Regulations Issued May 7, 1975. (F.R., Vol. 40, No. 89, May 7, 1975.)
- 16/ Volumes I-IV, Report of the Commission on Government Procurement, Superintendent of Documents, U.S. Printing Office, Washington, D. C. 20402. Stock Nos. 5255-00002; 5255-00003; 5255-00004; and 5255-00006.

94TH CONGRESS
2D SESSION

H.R.

IN THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES

JUNE 1976

Mr. _____ introduced the following bill; which was
read twice and referred to the Committee on the

A BILL

To establish a uniform Federal policy for intellectual
property arising from Federally-sponsored research and
development; to protect and encourage utilization of
such technology and to further the public interest of
the United States domestically and abroad; and for other
related purposes.

1 Be it enacted by the Senate and House of Representatives
2 of the United States of America in Congress assembled,
3 That this Act, which may be cited as the "Federal
4 Intellectual Property Policy Act of 1976", is hereby
5 adopted.

"Title I--FEDERAL INTELLECTUAL PROPERTY POLICY

"Sec.

"101. Findings.

"102. Declaration of purpose.

"Title II--FUNCTIONS OF THE OFFICE OF SCIENCE
AND TECHNOLOGY POLICY AND THE FEDERAL
COORDINATING COUNCIL FOR SCIENCE,
ENGINEERING, AND TECHNOLOGY

"Sec.

"201. Federal Coordinating Council for Science,
Engineering, and Technology.

"202. Board for Intellectual Property.

"Title III--ALLOCATION OF PROPERTY RIGHTS IN INVENTIONS
RESULTING FROM FEDERALLY-SPONSORED
RESEARCH AND DEVELOPMENT

"CHAPTER 1.--INVENTIONS OF CONTRACTORS

"Sec.

- "311. Criteria for the allocation of property rights in Subject Inventions.
- "312. Other provisions.

"CHAPTER 2.--INVENTIONS OF FEDERAL EMPLOYEES

"Sec.

- "321. Reporting of inventions.
- "322. Criteria for the allocation of rights to inventions.
- "323. Application of criteria.
- "324. Review of Federal agency determinations.
- "325. Reassignment of rights.
- "326. Incentive Awards Program.
- "327. Income sharing from patent licenses.
- "328. Conflict of interest.

"Title IV--DOMESTIC AND FOREIGN PROTECTION AND LICENSING
OF FEDERALLY-OWNED INVENTIONS

"Sec.

- "401. Authorities of Federal agencies.
- "402. Authorities of the Department of Commerce in cooperation with other Federal agencies.
- "403. Authorities of General Services Administration.
- "404. Grants of an exclusive or partially exclusive license.

"Title V--MISCELLANEOUS

"CHAPTER 1.--OTHER RELATED PROVISIONS

"Sec.

- "511. Definitions.
- "512. Relationship to antitrust laws.

"CHAPTER 2.--AMENDMENT TO OTHER ACTS

"Sec.

- "521. Identified Acts amended.

"CHAPTER 3.--EFFECTIVE DATE PROVISION

"Sec.

- "531. Effective date of Act.

1 "Title I--FEDERAL INTELLECTUAL PROPERTY POLICY

"Sec.

"101. Findings.

"102. Declaration of purpose.

2 "S 101. Findings.

3 "The Congress, recognizing the profound impact of
4 science and technology on society and the interrelations
5 of scientific, technological, economic, social, political,
6 and institutional factors, hereby finds that:

7 "(a) The inventions in scientific and technological
8 fields resulting from work performed under Federal
9 research and development constitute a valuable
10 national resource;

11 "(b) A Federal policy on the allocation of rights
12 to inventions resulting from Federally-sponsored research
13 and development should stimulate inventors, meet the needs
14 of the Federal Government, recognize the equities of the
15 Federal employee-inventor and the Federal Government
16 contractor, and serve the public interest; and

17 "(c) The public interest would be better served if
18 greater efforts were made to obtain patent protection,
19 both domestic and foreign, and to promote the interests
20 of the United State and the commercial use of new techno-
21 logy resulting from Federally-sponsored research and
22 development, both in the United States and foreign
23 countries, as appropriate.

24 "Sec. 102. Declaration of purpose.

25 "It is the purpose of this Act to:

26 "(a) Establish a uniform Federal policy for matters
27 of intellectual property arising from Federally-sponsored
28 research and development;

29 "(b) Provide for uniform implementation of the provisions
30 of this Act, and to make a continuing effort to monitor
31 such implementation;

1 "(c) To allocate rights to contractor inventions which
2 result from Federally-sponsored research and development
3 so as to

4 "(1) encourage the participation of the most
5 qualified and competent contractors,

6 "(2) foster competition,

7 "(3) promote the widespread utilization of
8 the inventions, and

9 "(4) reduce the administrative burdens, both for the
10 Federal agencies and its contractors;

11 "(d) To allocate rights to Federal employee inventions
12 in an equitable manner;

13 "(e) To provide for a domestic and foreign protection
14 and licensing program to obtain commercial utilization of
15 Federally-owned inventions, with the objective of strengthening
16 the Nation's economy and expanding its domestic and
17 foreign markets; and

18 "(f) To amend all other Acts and abolish the Executive
19 Orders regarding the allocation of rights to inventions
20 which result from Federally-sponsored research and develop-
21 ment and the licensing of Federally-owned patents.

1 "Title II--FUNCTIONS OF THE OFFICE OF SCIENCE
2 AND TECHNOLOGY POLICY AND THE FEDERAL
3 COORDINATING COUNCIL FOR SCIENCE,
4 ENGINEERING, AND TECHNOLOGY

"Sec.

"201. Federal Coordinating Council for Science,
Engineering, and Technology.

"202. Board for Intellectual Property.

5 "s 201. Federal Coordinating Council for Science,
6 Engineering, and Technology.

7 "(a) The Federal Coordinating Council for Science,
8 Engineering, and Technology (established by Title IV,
9 P.L. 94-282) hereinafter referred to as the 'Council'
10 shall make recommendations to the Director of the Office
11 of Science and Technology Policy (OSTP) hereinafter
12 referred to as the 'Director', with regard to:

13 "(1) Uniform and effective planning and administra-
14 tion of Federal programs pertaining to inventions,
15 patents, trademarks, copyrights, rights in technical
16 data, and matters connected therewith.

17 "(2) Uniform policies, regulations, guidelines and
18 practices to carry out the provisions of this Act
19 and other Federal Government objectives in the field
20 of intellectual property.

21 "(3) Uniformity and effectiveness of interpretation
22 and implementation by individual Federal agencies of
23 the provisions of this Act and other related Federal
24 Government policies, regulations and practices.

25 "(b) Recommendations regarding matters set forth in
26 subsection (a) which are made by the COUNCIL and adopted
27 by the Director will be promulgated to the Federal agencies
28 through appropriate channels.

29 "(c) In order to carry out the responsibilities set
30 forth in subsections (a) and (b); the COUNCIL is authorized
31 to --

32 "(1) Acquire data and reports from the Federal

1 agencies on the interpretation and implementation
2 of this Act and related policies, regulations and
3 practices.
4 "(2) Review on its own initiative, or upon request
5 by a Federal agency, Federal agency implementation
6 of the provisions of this Act.
7 "(3) Analyze on a continuing basis data acquired
8 by the COUNCIL.
9 "(4) Consider problems and developments in the
10 fields of inventions, patents, trademarks, copyrights,
11 rights in technical data, and matters connected
12 therewith and the impact of such on Federal Government
13 policy or uniform accomodation or implementation by
14 Federal agencies.
15 "(5) Publish annually a report on COUNCIL efforts,
16 findings and recommendations.

17 "§ 202. Board for Intellectual Property.

18 "The Director shall establish or designate a Board or
19 Boards for intellectual property (hereinafter referred
20 to as the "BOARD") as required, to make approvals and
21 determinations and to hear appeals as provided for in
22 this Act. In exercising its authority and in developing
23 its rules and procedures, the BOARD shall consult with
24 the COUNCIL and such Federal agencies as may be
25 appropriate. The BOARD may perform any and all acts,
26 and issue such orders, not inconsistent with the Act,
27 as may be necessary in the execution of its functions.
28 Decisions of the BOARD under Sections 311.(b)(2)(C),
29 (D), (E) and (F) of this Act, shall be appealable to
30 the United States Court of Claims.

1 "Title III--ALLOCATION OF PROPERTY RIGHTS IN INVENTIONS
2 RESULTING FROM FEDERALLY-SPONSORED RESEARCH
3 AND DEVELOPMENT

"CHAPTER 1.--INVENTIONS OF CONTRACTORS

"Sec.

"311. Criteria for the allocation of property rights
in Subject Inventions.

"312. Other provisions.

4 "§ 311. Criteria for the allocation of property rights
5 in Subject Inventions.

6 "The allocation of property rights in Subject Inventions
7 shall be determined by uniform regulations, issued by the
8 Administrator of General Services and the Secretary of
9 Defense, employing a single patent rights clause in all
10 instances except as may be provided in such regulations,
11 subject to the minimum rights acquired under Section
12 311. (b) (2), or as provided in Section 312. (c). Such a
13 patent rights clause shall include provisions for
14 the following:

15 "(a) Reporting requirements and declaration of intent.--

16 The contractor shall promptly provide the sponsoring
17 Federal agency with (1) a disclosure of each Subject
18 Invention which is or may be patentable under the laws
19 of the United States; (2) an election whether the con-
20 tractor intends to file a patent application on the
21 Subject Invention; and (3) if the contractor elects to
22 file, a declaration of the contractor's intent to com-
23 mercialize or otherwise achieve the widespread utiliza-
24 tion of the invention by the public. The Federal
25 Government may withhold publication or release to the
26 public information disclosing such invention for a
27 reasonable time in order for a patent application to be
28 filed.

1 "(b) Minimum rights to the Federal Government and the
2 public.--Each Federal agency shall acquire on behalf
3 of the Federal Government at the time of contracting:

4 "(1) Where the contractor elects not to file
5 a patent application on a Subject Invention
6 in any country, title to such inventions,
7 subject to any revocable or irrevocable nonexclus-
8 ive license which the contractor may be permitted
9 to retain; and

10 "(2) Where the contractor elects to file
11 a patent application in accordance with sub-
12 section (c):

13 "(A) The right to require periodic written
14 reports at reasonable intervals and partic-
15 ularly, when specifically requested by the
16 Federal agency, reports on the commercial
17 use or other form of utilization by the
18 public that is being made or is intended to
19 be made of any Subject Invention;

20 "(B) A nonexclusive, nontransferable, irrevocable,
21 paid-up license to practice or have practiced
22 for the Federal Government any Subject
23 Invention throughout the world by or on
24 behalf of the Federal Government (including
25 any Federal agency), and it may acquire additional
26 rights to sublicense any State or domestic local
27 government or to sublicense any foreign
28 government pursuant to foreign policy considera-
29 tions, or any existing or future treaty or
30 agreement when the Federal agency determines it
31 would be in the national interest to acquire such
32 additional rights.

1 "(C) The right of the Federal agency to
2 require the contractor to grant a nonexclusive,
3 partially exclusive or exclusive license to a
4 responsible applicant or applicants in any
5 field of use of the Subject Invention upon
6 terms reasonable under the circumstances, or
7 to grant such licenses itself, or to require
8 an assignment of the Subject Invention to the
9 Federal Government, if the Federal agency determines
10 such action is necessary because the contractor
11 has not taken, or is not expected to take within
12 a reasonable time, effective steps to achieve
13 practical application of the Subject Invention
14 in such field of use. Such determination of the
15 Federal agency may be appealed to the BOARD.

16 "(D) The right of the BOARD to require the
17 contractor to grant a nonexclusive, partially
18 exclusive, or exclusive license to a responsible
19 applicant or applicants, upon terms reasonable
20 under the circumstances, or to determine that
21 the Federal agency should grant such a
22 license itself, following a hearing upon notice
23 thereof to the public, upon a petition by an
24 interested person justifying such hearing, if
25 the BOARD determines, upon review of such
26 material as the BOARD deems relevant, and after
27 the contractor or such other interested person
28 has had the opportunity to provide such relevant
29 and material information as the BOARD may require,
30 that such action is necessary:

1 "(i) to alleviate health, safety, or
2 welfare needs, provided the contractor
3 and/or its licensees are not satisfying
4 such needs consistent with conditions
5 reasonable under the circumstances; or
6 "(ii) to the extent that the Subject Invention
7 is required for public use by Federal
8 regulation, provided the contractor and/or
9 its licensees are not satisfying market needs
10 created by the Federal regulations
11 consistent with conditions reasonable under
12 the circumstances.

13 "(E) The right of the BOARD to require
14 the contractor to grant a nonexclusive,
15 partially exclusive, or exclusive license to a
16 responsible applicant or applicants, upon terms
17 reasonable under the circumstances, or to
18 determine that the Federal agency should grant
19 such a license itself, following a hearing upon
20 notice thereof to the public, upon a petition
21 by an interested person justifying such hearing,
22 if the BOARD determines, upon review of such
23 material as the BOARD deems relevant, and
24 after the contractor or other interested person
25 has had the opportunity to provide such
26 relevant and material information as the
27 BOARD may require, that the exclusive rights to
28 such Subject Invention in the contractor has
29 tended substantially to lessen competition or to
30 result in undue market concentration in any
31 section of the United States in any line of
32 commerce to which the technology relates, or
33 to create or maintain other situations inconsistent
34 with the antitrust laws.

1 "(F) The right of the BOARD, commencing ten
2 years from the date the Subject Invention
3 was made or five years after first public
4 use or on sale in the United States, whichever
5 occurs first, (excepting that time before
6 Federal regulatory agencies necessary to
7 obtain premarket clearance) to require the
8 contractor to grant a nonexclusive, partially
9 exclusive, or exclusive license to a responsible
10 applicant or applicants, upon terms reasonable
11 under the circumstances, or to determine that the
12 Federal agency should grant such a license itself,
13 following a hearing upon notice thereof to
14 the public, upon a petition by a prospective
15 licensee who has attempted unsuccessfully to
16 obtain such a license from the contractor
17 and justifying such a hearing, if the BOARD
18 determines, in view of the factors set forth
19 in Section 312. (b), that such licensing would
20 best support the overall purposes of this Act.

21 "(3) Prior to any action pursuant to Sections
22 311. (b) (2) (D), (E), and (F), the BOARD shall consult
23 with the Federal agency involved.

24 "(c) Contractor's rights.--The contractor shall retain
25 a defeasible title to only those Subject Inventions
26 (including the right to license or assign all or part
27 of its interests therein) on which the contractor files
28 a United States patent application and declares its intent
29 to achieve practical application of the Subject Invention.
30 Such title in the contractor shall permit the contractor to
31 retain exclusive commercial rights to the invention subject
32 to all the rights granted to the Federal Government

1 in subsection (b)(2). The contractor's employee
2 inventor may also retain the contractor's rights under
3 this subsection with permission of the contractor at
4 the discretion of the sponsoring Federal agency.

5 "§ 312. Other provisions.

6 "(a) Extension of contractor's exclusive commercial
7 rights.--Each sponsoring Federal agency, for good
8 cause shown by the contractor, may extend the period of
9 the contractor's exclusive commercial rights provided
10 for in Section 311. (b) (2) (F) following notice to the
11 public and an opportunity for filing written objections.
12 The grant of such an extension shall be based upon
13 a determination by the Federal agency, upon review
14 of such material as it deems relevant, and after the
15 contractor and any other interested persons have had
16 an opportunity to provide such relevant and material
17 information as the Federal agency may require, that
18 such extension would best support the overall purposes
19 of this Act. The Federal agency determination may
20 be appealed to the BOARD by the contractor or an
21 interested person involved in such determination.

22 "(b) BOARD considerations. In determining whether
23 the right to require licensing or the right of the
24 Federal agency to license set forth in Section
25 311. (b) (2) (F) should be exercised, the BOARD may consider,
26 among others, the following type of factors, as
27 appropriate:

28 "(1) The relative contributions of the Federal
29 Government and the contractor or its assignees or
30 licensees, if any, to the making and commercialization
31 of the Subject Invention;

32 "(2) The relative contributions of the Federal
33 Government and the contractor or its assignees or
34 licensees, if any, to the field of technology to
35 which the Subject Invention relates;

- 1 "(3) The degree to which utilization of the
2 Subject Invention has satisfied the purposes of
3 the program under which the Subject Invention was
4 made;
- 5 "(4) The type and scope of the Subject Invention
6 and the magnitude of the problem it solves;
- 7 "(5) The effect of such licensing on competition
8 and widespread utilization of the Subject Invention;
- 9 "(6) The effect of such licensing on incentives
10 to commercialize this and other Subject Inventions;
- 11 "(7) The extent to which the Subject Invention is
12 concerned with the public health, safety or welfare;
13 and
- 14 "(8) The effect of such licensing in assisting
15 small businesses and minority business enterprises,
16 as well as economically depressed, low-income, and
17 labor surplus areas.

18 "When it is determined that the right to require
19 licensing or the right of the Federal agency to
20 license should be exercised, the BOARD may specify
21 terms and conditions, including royalties to be charged,
22 if any, and the duration and field of use of the license.

23 "(c) Alternative criteria for the allocation of
24 property rights in Subject Inventions.

25 "(1) The Head of a Federal agency may deviate on a
26 case-by-case basis from the single patent rights
27 clause normally used provided that such deviations
28 shall be published and reported to the COUNCIL for
29 review in accordance with its responsibility under
30 Section 201. (a) of this Act.

31 "(2) The regulations adopted pursuant to Section 311
32 may permit deviation to the minimum rights acquired
33 under Section 311. (b) (2) on a class basis in:

1 "(A) contracts involving cosponsored, cost
2 sharing, or joint venture research when the con-
3 tractor is required to make a substantial contri-
4 bution of funds, facilities, or equipment to the
5 work performed under the contract; and
6 "(B) special contracting situations such as
7 Federal price or purchase supports and Federal
8 loan or loan guarantees.
9 "(3) No deviation under this subsection shall waive
10 in whole or in part the minimum rights to be secured
11 for the Federal Government set forth in Section
12 311. (b) (2) (E)..

1 "CHAPTER 2.--INVENTIONS OF FEDERAL EMPLOYEES

"Sec.

- " 321. Reporting of inventions.
- " 322. Criteria for the allocation of rights to inventions.
- " 323. Application of criteria.
- " 324. Review of Federal agency determinations.
- " 325. Reassignment of rights.
- " 326. Incentive Awards Program.
- " 327. Income sharing from patent licenses.
- " 328. Conflict of interest.

2 "s 321. Reporting of inventions.

3 "All inventions made by Federal employees while under
4 the administrative jurisdiction of a Federal agency shall
5 be reported to the designated authority of that Federal
6 agency.

7 "s 322. Criteria for the allocation of rights to inventions.

8 "Subject to prescribed rules and regulations issued by
9 the Commissioner of the Patent and Trademark Office, each
10 Federal agency shall determine the respective rights of the
11 Federal Government and of the Federal employee-inventor
12 in and to any invention made by a Federal employee while
13 under the administrative jurisdiction of such agency, in
14 accordance with the following criteria:

15 "(a) The Federal Government shall obtain, subject to
16 subsection (c), the entire right, title and interest
17 in and to all inventions made by any Federal employee
18 which bear a relation to the duties of the Federal
19 employee-inventor, or are made in consequence of his
20 employment;

21 "(b) A Federal employee shall be entitled to retain
22 the entire right, title and interest in and to any
23 invention made by the employee-inventor, subject to a
24 nonexclusive, nontransferable, irrevocable, paid-up
25 license to practice or have practiced for the Federal
26 Government any such invention throughout the world by
27 or on behalf of the Federal Government (including any
28 Federal agency) in any case where the invention does not

1 bear a relation to the duties of the employee-inventor
2 or was not made in consequence of his employment, but
3 was made with a contribution by the Federal Government
4 of facilities, equipment, materials, funds, or informa-
5 tion, or of time or services of other Federal employees
6 on official duty; and further, the Federal agency may
7 acquire additional rights to sublicense any State or
8 domestic local government or to sublicense any foreign
9 government pursuant to foreign policy considerations, or
10 any existing or future treaty or agreement where the
11 Federal agency determines it would be in the national
12 interest to acquire such additional rights;

13 "(c) The Federal employee may obtain the entire right,
14 title and interest in and to an invention in any country,
15 subject to the license and sublicensing rights set forth
16 in subsection (b), where the Federal agency determines that
17 there is insufficient interest in the invention to justify
18 seeking patent protection in that country, although the
19 Federal Government may have taken title to the invention
20 or may be entitled to the entire, right, title and
21 interest therein under subsection (a), provided however,
22 nothing in this paragraph shall prevent a Federal agency
23 from publishing or dedicating to the public such an
24 invention if it is in the public interest; and

25 "(d) A Federal employee shall be entitled to retain
26 the entire right, title and interest in and to any
27 invention made by the employee in any case not
28 falling within subsections (a), (b), or (c).

29 "s 323. Application of criteria.

30 "(a) In applying the criteria of Section 322 to the
31 facts and circumstances relating to the making of any
32 particular invention,

1 "(1) it shall be presumed that an invention falls
2 within the criteria of Section 322. (a) when made by
3 a Federal employee who is employed or assigned to
4 "(A) invent or improve or perfect any art, machine,
5 manufacture, or composition of matter,
6 "(B) conduct or perform research, development work,
7 or both,
8 "(C) supervise, direct, coordinate, or review
9 Federally-financed or conducted research, development
10 work, or both, or
11 "(D) act in a liaison capacity among Federal or
12 non-Federal agencies, or individuals engaged in
13 such work; and

14 "(2) it shall be presumed that an invention falls
15 within the criteria of Section 322. (b) when made
16 by any other Federal employee.

17 "(b) Either presumption of subsection (a) may be
18 rebutted by the facts or circumstances attendant upon
19 the conditions under which any particular invention
20 is made.

21 "§ 324. Review of Federal agency determinations.

22 "Federal agency determinations regarding the respective
23 rights of the Federal Government and the Federal
24 employee-inventor are to be reviewed in accordance with
25 prescribed rules and regulations issued pursuant to
26 Section 322 where

27 "(1) the Federal agency determines not to acquire
28 all right, title and interest in an invention, or

29 "(2) the Federal employee-inventor who is aggrieved by
30 the determination requests such a review.

31 "§ 325. Reassignment of rights.

32 "Where a Federal agency finds on the basis of new
33 evidence that it has acquired rights in an invention
34 greater than the Federal Government is entitled to

1 assert under the criteria of Section 322, the Federal
2 agency shall adjust such inequity by granting greater
3 rights to the Federal employee-inventor necessary to
4 correct the inequity.

5 "§ 326. Incentive Awards Program.

6 "(a) Incentive Awards may be granted to Federal
7 employee-inventors in order to:

8 "(1) Monetarily reward or otherwise recognize
9 Federal employees for inventions; and

10 "(2) Stimulate inventive creativeness and encourage
11 Federal employees to disclose their inventions
12 and thus to enhance the transfer and utilization
13 of related technology.

14 "(b) These awards shall be granted pursuant to the
15 provisions of Title 5, Chapter 45 and Title 10, Chapter
16 57, and in accordance with implementing regulations thereunde:
17 except as modified herein. Existing statutory provisions
18 for awards shall remain unaffected by this section.

19 "(c) The amount of the award for an invention will
20 be based on:

21 "(1) The extent to which the invention advances the
22 state of the art;

23 "(2) The scope of the application of the invention;

24 "(3) The importance of the invention in terms of
25 its value and benefits to the Federal Government;
26 and

27 "(4) The extent to which the invention has achieved
28 utilization by the public.

29 "(d) Awards for an invention of up to \$10,000 may be
30 granted by the Head of a Federal agency. Awards in
31 excess of \$10,000 but not in excess of \$50,000 may be
32 granted

1 "(1) for Federal civilian employees by the Head of the
2 Federal agency with the approval of the Civil
3 Service Commission,
4 "(2) for members of the Armed Forces with the
5 approval of the Secretary of Defense, and
6 "(3) for members of the United States Coast
7 Guard when not operating as a service in the
8 Navy with the approval of the Secretary of
9 Transportation,
10 upon recommendation that the invention is highly exceptional
11 and unusually outstanding. Awards in excess of \$50,000 may
12 be made in those instances where the Head of the Federal
13 agency, based upon the value and benefit of the inventor's
14 contribution, recommends to the Chairman of the Civil
15 Service Commission and the Director of the Office of
16 Management and Budget that a Presidential award be made.
17 Upon endorsement of both the Chairman of the Civil Service
18 Commission and the Director of the Office of Management
19 and Budget and approval by the President, an award in
20 excess of \$50,000 and an honorary recognition, may be
21 granted as deemed appropriate.
22 "(e) A cash award under this section is in addition
23 to the regular pay of the recipient. Acceptance of
24 a cash award under this section constitutes an agreement
25 that any use by the Federal Government of an idea, method,
26 or device for which the award is made does not form the
27 basis of a further claim of any nature against the
28 Federal Government by the recipient, his heirs, or
29 assigns.
30 "(f) A cash award and expense for honorary recognition
31 of a Federal employee-inventor shall be paid from the
32 fund or appropriation of the Federal agency primarily
33 benefiting. The Head of the Federal agency shall determine

1 the amount to be paid by each Federal agency for Federal
2 agency awards and the President shall determine the
3 amount of the award to be paid by each Federal agency
4 for Presidential awards made under subsection (d).

5 "(g) Nothing contained in this section shall be
6 construed to limit the discretionary power of the Federal
7 agency to grant or not grant an incentive award under
8 this section.

9 "§ 327. Income sharing from patent licenses.

10 "In addition to awards as provided in Section 326, in
11 instances where a Federal agency grants income bearing
12 patent licenses for an invention, such Federal agency
13 may share the income received with the Federal employee-
14 inventor.

15 " 328. Conflict of interest.

16 "Determinations of an appointing official pursuant to
17 Section 208(b) of Title 18, United States Code, regarding
18 the promotion of a Federal employee's invention by such
19 employee shall be subject to regulations prescribed by
20 the Civil Service Commission.

1 "Title IV--DOMESTIC AND FOREIGN PROTECTION AND LICENSING
2 OF FEDERALLY-OWNED INVENTIONS

"Sec.

"401. Authorities of Federal agencies.

"402. Authorities of the Department of Commerce
in cooperation with other Federal agencies.

"403. Authorities of General Services Administration.

"404. Grants of an exclusive or partially exclusive
license.

3 "s 401. Authorities of Federal agencies.

4 "The Federal agencies are authorized:

5 "(a) To apply for, obtain and maintain patents or other
6 forms of protection in the United States and in foreign
7 countries on inventions in which the Federal Government
8 owns a right, title or interest;

9 "(b) To promote the licensing of inventions covered by
10 Federally-owned patent applications, patents or other
11 forms of protection obtained with the objective of
12 maximizing utilization by the public of the inventions
13 covered thereby."

14 "(c) To grant nonexclusive, exclusive, or partially
15 exclusive licenses under Federally-owned patent applica-
16 tions, patents or other forms of protection obtained
17 royalty-free or for royalties or other consideration,
18 and on such terms and conditions including the grant to
19 the licensee the right of enforcement pursuant to the
20 provisions of Title 35, Chapter 28, USC, as deemed
21 appropriate in the public interest.

22 "(d) To make market surveys and other investigations
23 for determining the potential of inventions for domestic
24 and foreign licensing and other forms of utilization;
25 to acquire technical information and engage in negotiations
26 and other activities for promoting the licensing and for
27 the purpose of enhancing their marketability and
28 public utilization.

1 "(e) To withhold publication or release to the public
2 information disclosing any invention in which the Federal
3 Government owns a right, title or interest for a reasonable
4 time in order for a patent application to be filed.

5 "(f) To undertake the above and all other suitable
6 and necessary steps to protect and administer rights to
7 inventions on behalf of the Federal Government either
8 directly or through contract;

9 "(g) To transfer custody and administration, in
10 whole or in part, to the Department of Commerce or to
11 other Federal agencies, of the right, title or interest
12 in any invention for the purpose of administering the
13 authorities set forth in subsections (a) through (d),
14 without regard to the provisions of the Federal Property
15 and Administrative Services Act of 1949 (40 U.S.C. 471);
16 and

17 "(h) To designate the Department of Commerce as recipient
18 of any or all funds received from fees, royalties or other
19 management of Federally-owned inventions authorized
20 under this Act.

21 "§ 402. Authorities of the Department of Commerce in
22 cooperation with other Federal agencies.

23 "The Department of Commerce is authorized in cooperation
24 with other Federal agencies:

25 "(a) To coordinate a program for assisting all
26 Federal agencies in carrying out the authorities set
27 forth in Section 401;

28 "(b) To publish notification of all Federally-
29 owned inventions that are available for licensing;

30 "(c) To evaluate inventions referred by Federal
31 agencies and patent applications filed thereon in order
32 to identify those inventions with the greatest commercial

1 potential and to insure promotion and utilization by the
2 public of inventions so identified;

3 "(d) To assist the Federal agencies in seeking and
4 maintaining protection on inventions in the United States
5 and in foreign countries, including the payment of fees
6 and costs connected therewith;

7 "(e) To accept custody and administration, in whole
8 or in part, of the right, title and interest in any
9 invention for the purposes set forth in Sections 401.(a)
10 through (d), with the approval of the Federal agency
11 concerned without regard to the provisions of the
12 Federal Property and Administrative Service Act of
13 1949 (40 U.S.C. 471);

14 "(f) To receive funds from fees, royalties or other
15 management of Federally-owned inventions authorized
16 under this Act; provided, however, that such funds
17 will be used only for the purpose of this Act; and

18 "(g) To undertake these and such other functions either
19 directly or through contracts as are necessary and
20 appropriate to accomplish the purposes of Title IV
21 of this Act.

22 "S 403. Authorities of the General Services Administration.

23 "The Administrator of General Services is authorized to
24 promulgate regulations specifying the terms and conditions
25 upon which any Federally-owned invention may be licensed
26 on a nonexclusive, partially exclusive, or exclusive basis.

27 "S 404. Grants of an exclusive or partially exclusive license.

28 "(a) Federal agencies may grant exclusive or partially
29 exclusive licenses in any invention covered by a Federally-
30 owned domestic patent or patent application only if,
31 after notice to the public and opportunity for filing
32 written objections, it is determined that:

33 "(1) The interests of the Federal Government
34 and the public will best be served by the proposed

1 license, in view of the applicant's intentions,
2 plans, and ability to bring the invention to
3 practical application or otherwise promote the
4 invention's utilization by the public;

5 "(2) The desired practical application has
6 not been achieved, or is not likely expeditiously
7 to be achieved, under any nonexclusive license which
8 has been granted, or which may be granted, on the
9 invention;

10 "(3) Exclusive or partially exclusive licensing is
11 a reasonable and necessary incentive to call forth
12 the investment of risk capital and expenditures
13 to bring the invention to practical application
14 or otherwise promote the invention's utilization
15 by the public; and

16 "(4) The proposed terms and scope of exclusivity
17 are not greater than reasonably necessary to
18 provide the incentive for bringing the invention
19 to practical application or otherwise promote the
20 invention's utilization by the public;

21 provided that, a Federal agency shall not grant such
22 exclusive or partially exclusive license if it determines
23 that the grant of such license will tend substantially
24 to lessen competition or result in undue concentration
25 in any section of the country in any line of commerce
26 to which the technology to be licensed relates, or to
27 create or maintain other situations inconsistent with
28 the antitrust laws.

29 "(b) After consideration of whether the interests
30 of the Federal Government or United States industry in
31 foreign commerce will be enhanced, Federal agencies
32 may grant exclusive or partially exclusive licenses in
33 any invention covered by a foreign patent application

1 or patent after notice to the public and opportunity
2 for filing written objections; provided that, a Federal
3 agency shall not grant such exclusive or partially
4 exclusive license if it determines that the grant of such
5 license will tend substantially to lessen competition
6 or result in undue concentration in any section of the
7 country in any line of commerce to which the technology
8 to be licensed relates, or to create or maintain other
9 situations inconsistent with the antitrust laws.

10 "(c) The Federal agency shall maintain a record of
11 determinations to grant exclusive or partially exclusive
12 licenses.

13 "(d) Any grant of an exclusive or partially exclusive
14 license shall contain such terms and conditions as the
15 Federal agency may determine to be appropriate for the
16 protection of the interests of the Federal Government
17 and the public, including provisions for the following:

18 "(1) Periodic written reports at reasonable
19 intervals, and when specifically requested by
20 the Federal agency on the extent of the commercial
21 or other use by the public that is being made or
22 is intended to be made of the invention;

23 "(2) A nonexclusive, nontransferable, irrevocable,
24 paid-up license to practice or have practiced
25 for the Federal Government the licensed invention
26 throughout the world by or on behalf of the Federal
27 Government (including any Federal agency), and
28 the additional right to sublicense any State
29 or domestic local government or to sublicense any
30 foreign government pursuant to foreign policy
31 considerations, or any existing or future treaty
32 or agreement if the Federal agency determines it
33 would be in the national interest to retain such
34 additional rights; and

1 "(3) The right in the Federal agency to terminate
2 such license in whole or in part unless the
3 licensee demonstrates to the satisfaction of the
4 Federal agency that the licensee has taken
5 effective steps, or within a reasonable time
6 thereafter is expected to take such steps, necessary
7 to accomplish substantial commercial or other use
8 of the invention by the public.

9 "(4) The right in the Federal agency, commencing
10 three years after the grant of a license, to require
11 the licensee to grant a nonexclusive or partially
12 exclusive license to a responsible applicant or
13 applicants, upon terms reasonable under the circum-
14 stances, and in appropriate circumstances to terminate
15 the license in whole or in part, following a hearing
16 upon notice thereof to the public, upon a petition
17 by an interested person justifying such hearing, if
18 the Federal agency determines, upon review of such
19 material as it deems relevant, and after the licensee,
20 or other interested person, has had the opportunity to
21 provide such relevant and material information as
22 the Federal agency may require, that such license
23 has tended substantially to lessen competition or
24 to result in undue concentration in any section of
25 the country in any line of commerce to which the
26 technology relates or to create or maintain other
27 situations inconsistent with the antitrust laws.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

"Title V--MISCELLANEOUS

"CHAPTER 1.--OTHER RELATED PROVISIONS

- "Sec.
- "511. Definitions.
- "512. Relationship to antitrust laws.

"§ 511. Definitions

"As used in this Act--

"(a) The term 'Federal agency' means an 'executive agency' as defined by Section 105 of Title 5, United States Code, and the military departments defined by Section 102 of Title 5, United States Code.

"(b) The term 'Federal employees' means all employees as defined in 5 U.S.C. 2105 and members of the uniformed services shall be subject to the provisions of this Act.

"(c) The term 'contract' means any contract or grant entered into between any Federal agency and any person for the performance of experimental, developmental, or research work substantially funded by the Federal Government. Such term includes any assignment, substitution of parties, or subcontract of any tier entered into for the performance of experimental, developmental, or research work under a contract.

"(d) The term 'contractor' means any person and any public or private corporation, partnership, firm, association, institution, or other entity that is a party to the contract.

"(e) The term 'invention' means any invention or discovery and includes any art, method, process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable or otherwise protectable under the laws of the United States.

1 "(f) The term 'Subject Invention' means any invention
2 or discovery of the contractor conceived or first actually
3 reduced to practice in the course of or under a contract.

4 "(g) The term 'practical application' means to manu-
5 facture in the case of a composition or product, to
6 practice in the case of a process, or to operate in the
7 case of a machine or system, and, in each case, under
8 such conditions as to establish that the invention is
9 being worked and that its benefits are available to the
10 public either on reasonable terms or through reasonable
11 licensing arrangements.

12 "(h) The term 'person' means any individual, partnership,
13 corporation, association, institution, or other entity.

14 "(i) The term 'made', when used in relation to any
15 invention, means the conception or first actual reduction
16 to practice of such invention.

17 "(j) The term 'antitrust law' means--

18 "(1) the Act entitled "An Act to protect trade
19 and commerce against unlawful restraints and
20 monopolies', approved July 2, 1890 (15 U.S.C. 1
21 et seq.), as amended;

22 "(2) the Act entitled 'An Act to supplement existing
23 laws against unlawful restraints and monopolies,
24 and for other purposes', approved October 15, 1914
25 (15 U.S.C. 12 et seq.) as amended;

26 "(3) the Federal Trade Commission Act (15 U.S.C.
27 41 et seq.), as amended;

28 "(4) sections 73 and 74 of the Act entitled 'An
29 Act to reduce taxation to provide revenue for
30 the Federal Government, and for other purposes',
31 approved August 27, 1894 (15 U.S.C. 8 and 9), as
32 amended; and

33 "(5) the Act of June 19, 1936, chapter 592 (15
34 U.S.C. 13, 13a, 13b, and 21a).

1 § 512. Relationship to Antitrust Laws.
2 "Nothing in this Act shall be deemed to convey
3 to any individual, corporation, or other business
4 organization immunity from civil or criminal liability,
5 or to create defenses to actions, under the Antitrust
6 Laws.

1 "CHAPTER 2.--AMENDMENT TO OTHER ACTS

"Sec.
"521. Identified Acts Amended.

2 "S 521. Identified Acts Amended.

3 "The following identified Acts are hereby amended
4 as set forth below:

5 "(a) Section 10(a) of the Act of June 29, 1935, as
6 added by Title 1 of the Agricultural Research
7 and Marketing Act of August 14, 1946

8 "Section 10(a) of the Act of June 29, 1935, as added
9 by Title 1 of the Act of August 14, 1946 (60 Stat. 1085) is
10 amended by striking out the following: 'Any contracts
11 made pursuant to this authority shall contain requirements
12 making the results of research and investigations available
13 to the public through dedication, assignment to the
14 Government, or such other means as the Secretary shall
15 determine.' (Amends 7 U.S.C.427i(a).)

16 "(b) Section 205(a) of the Agricultural Research and
17 Marketing Act of August 14, 1946

18 "Section 205(a) of the Act of August 14, 1946 (60 Stat.
19 1090, as amended) is amended by striking out the following
20 language: 'Any contract made pursuant to this section
21 shall contain requirements making the result of such
22 research and investigations available to the public by
23 such means as the Secretary of Agriculture shall determine.'
24 (Amends 7 U.S.C. 1624(a).)

25 "(c) Section 501(c) of the Federal Coal Mine Health
26 and Safety Act of 1969

27 "Section 501(c) of the Federal Coal Mine Health and
28 Safety Act of 1969 (P.L. 91-173; 83 Stat. 742) is amended
29 by striking out the following language thereof: 'No
30 research, demonstrations, or experiments shall be carried
31 out, contracted for, sponsored, cosponsored, or authorized
32 under authority of this Act, unless all information, uses,

1 products, processes, patents, and other developments
2 resulting from such research, demonstrations, or experiments
3 will (with such exception and limitation, if any, as the
4 Secretary or the Secretary of Health, Education, and
5 Welfare may find to be necessary in the public interest)
6 be available to the general public.' (Amends 30 U.S.C.
7 951(c).)

8 "(d) Section 106(c) of the National Traffic and Motor
9 Vehicle Safety Act of 1966

10 "Section 106(c) of the National Traffic and Motor Vehicle
11 Safety Act of 1966 (P.L. 89-563; 80 Stat. 721) is repealed.
12 (Amends 15 U.S.C. 1395(c).)

13 "(e) Section 12 of the National Science Foundation
14 Act of 1950

15 "Section 12 of the National Science Foundation Act of
16 1950 (P.L. 90-407, 82 Stat. 360) is repealed. (Amends
17 42 U.S.C. 1871(a).)

18 "(f) Section 152 of the Atomic Energy Act of 1954

19 "Section 152 of the Atomic Energy Act of 1954 (P.L.
20 83-703; 68 Stat. 943) is repealed. (Amends 42 U.S.C.
21 2182.)

22 "(g) The National Aeronautics and Space Act of 1958

23 "The National Aeronautics and Space Act of 1958 (P.L.
24 85-568; 72 Stat. 426; as amended) is amended by --

25 "(1) repealing section 305 thereof; provided, however,
26 that subsections (c), (d), and (e) of said section 305
27 shall continue to be effective with respect to any
28 application for patents in which the written statement
29 referred to in subsection (c) of said section 305 has
30 been filed or requested to be filed by the Commissioner
31 of Patents and Trademarks prior to the effective date
32 of this Act (amends 42 U.S.C. 2457);

1 "(2) striking out the following language in subsection
2 306(a) thereof: (1) '(as defined by section 305)'; and
3 (2) 'the Inventions and Contributions Board, established
4 under section 305 of this Act' and inserting in lieu
5 thereof the following language: 'an Inventions and
6 Contributions Board which shall be established by the
7 Administrator within the Administration' (amends 42
8 U.S.C. 2458);
9 "(3) inserting at the end of section 203. (c) thereof
10 the following new subparagraph: '(14) To provide
11 effective contractual provisions for the reporting
12 of the results of the activities of the Administration,
13 including full and complete technical reporting of
14 any innovation made in the course of or under any
15 contract of the Administration.'
16 "(4) inserting at the end of section 203 thereof the
17 following new subsection: '(d) For the purposes of
18 chapter 17 of title 35 of the United States Code the
19 Administration shall be considered a defense agency of
20 the United States.' (amends 42 U.S.C. 2478); and
21 "(5) striking out the following from section 203
22 thereof: '(including patents and rights thereunder)'.
23 (Amends 42 U.S.C. 2473.)
24 "(h) Section 6 of the Coal Research and Development
25 Act of 1960
26 "Section 6 of the Coal Research and Development Act
27 of 1960 (P.L. 86-599; 74 Stat. 337) is repealed. (Amends
28 30 U.S.C. 666.)
29 "(i) Section 4 of Helium Act of Amendments of 1960
30 "Section 4 of Helium Act Amendments of 1960 (P.L.
31 86-777; 74 Stat. 920) is amended by striking out the

1 following language thereof: 'Provided, however, that
2 all research contracted for, sponsored, cosponsored,
3 or authorized under authority of this Act shall be pro-
4 vided for in such a manner that all information, uses,
5 products, processes, patents, and other developments
6 resulting from such research developed by Government
7 expenditure will (with such exceptions and limitations,
8 if any, as the Secretary may find to be necessary in
9 the interest of national defense) be available to the
10 general public: And provided further, that nothing
11 contained herein shall be construed as to deprive the
12 owner of any background patent relating thereto to
13 such rights as he may have thereunder.' (Amends 50
14 U.S.C. 167b.)

15 "(j) Subsection (b) of Section 4 of the Saline
16 Water Conversion Act of 1961

17 "Subsection (b) of section 4 of the Saline Water
18 Conversion Act of 1961 (P.L. 87-295; 75 Stat. 628), as
19 amended by Subsection (d) of Section 6 of the Saline Water
20 Conversion Act of 1971, P.L. 92-60, is repealed. (Amends
21 42 U.S.C. 1954(b).)

22 "(k) Section 32 of the Arms Control and Disarmament
23 Act of 1961

24 "Section 32 of the Arms Control and Disarmament Act
25 of 1961 (P.L. 87-297; 75 Stat. 634) is repealed. (Amends
26 22 U.S.C. 2572.)

27 "(l) Section 303 of the Water Resources Act of 1964

28 "Section 303 of the Water Resources Act of 1964
29 (P.L. 88-379, 78 Stat. 332) is repealed. (Amends 42
30 U.S.C. 1961c-3.)

31 "(m) Subsection (e) of Section 302 of the Appalachian
32 Regional Development Act of 1965

33 "Subsection (e) of section 302 of the Appalachian
34 Regional Development Act of 1965 (P.L. 89-4; 79 Stat.5;
35 as amended) is repealed. (Amends 40 U.S.C. App. 302(e).)

1 "(n) Subsection (c) of Section 204 of the Solid
2 Waste Disposal Act
3 "Subsection (c) of section 203 of the Solid Waste
4 Disposal Act (P.L. 89-272; 79 Stat. 997) is repealed.
5 (Amends 42 U.S.C. 3253(c).)
6 "(o) Section 216 of Title 38, United States Code
7 "Section 216 of Title 38, United States Code, is
8 amended by deleting subsection (a)(2) thereof and by
9 redesignating subsection (a)(3) thereof as '(a)(2)'.
10 (Amends 38 U.S.C. 216(a)(2).)
11 "(p) Section 9 of Federal Nonnuclear Energy
12 Research and Development Act of 1974
13 "Section 9 of the Federal Nonnuclear Energy Research
14 and Development Act of 1974, Public Law 93-577, is repealed
15 except for paragraph (1) of Section 9.
16 "(q) Section 3 of the Saline Water Conversion
17 Program Authorization Act for Fiscal Year 1977
18 "Section 3 of the Saline Water Conversion Program
19 Authorization Act for Fiscal Year 1977, P.L. 94-316, is
20 repealed.
21 "(r) Reserved.
22 "(s) Reserved.
23 "(t) Reserved.

1 "CHAPTER 3.--EFFECTIVE DATE PROVISION

"Sec.

"531. Effective date of Act.

2 "This Act shall take effect on the first day of the
3 seventh month beginning after the date of enactment of
4 this Act, except that regulations implementing this Act
5 may be issued prior to such day.

SECTION-BY-SECTION ANALYSIS

TITLE I--FEDERAL INTELLECTUAL PROPERTY POLICY

Sec. 101 Findings.

Section 101 states the findings of Congress; namely, that:

"(a) The inventions in scientific and technological fields resulting from work performed under Federal research and development constitute a valuable national resource;

"(b) A Federal policy on the allocation of rights to inventions resulting from Federally-sponsored research and development should stimulate inventors, meet the needs of the Federal Government, recognize the equities of the Federal employee-inventor and the Federal Government contractor, and serve the public interest; and

"(c) The public interest would be better served if greater efforts were made to obtain patent protection, both domestic and foreign, and to promote the interests of the United State and the commercial use of new technology resulting from Federally-sponsored research and development, both in the United States and foreign countries, as appropriate.

Sec. 102 Declaration of purpose.

Section 102 states the purposes of this Act which are responsive to the directive of Title I, Section 101.(c) of P.L. 94-282, The National Science and Technology Policy, Organization and Priorities Act of 1976 that:

"Federal patent policies should be developed based on uniform principles, which have as their objective the preservation of incentives for technological innovation and the application of procedures which will continue to assure the full use of beneficial technology to serve the public."

The declaration of purpose is to:

"(a) Establish a uniform Federal policy for matters of intellectual property arising from Federally-sponsored research and development;

"(b) Provide for uniform implementation of the provisions of this Act, and to make a continuing effort to monitor such implementation;

"(c) To allocate rights to contractor inventions which result from Federally-sponsored research and development so as to

"(1) encourage the participation of the most qualified and competent contractors,

"(2) foster competition,

"(3) promote the widespread utilization of the inventions, and

"(4) reduce the administrative burdens, both for the Federal agencies and its contractors;

"(d) To allocate rights to Federal employee inventions in an equitable manner;

"(e) To provide for a domestic and foreign protection and licensing program to obtain commercial utilization of Federally-owned inventions, with the objective of strengthening the Nation's economy and expanding its domestic and foreign markets; and

"(f) To amend all other Acts and abolish the Executive Orders regarding the allocation of rights to inventions which result from Federally-sponsored research and development and the licensing of Federally-owned patents.

TITLE II--FUNCTIONS OF THE OFFICE OF SCIENCE AND TECHNOLOGY POLICY (OSTP) AND FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING AND TECHNOLOGY (FCCSET)

Sec. 201 Federal Coordinating Council for Science, Engineering and Technology.

Subsections (a), (b) and (c) define the responsibilities of FCCSET and the means to carry out such responsibilities in matters regarding intellectual property. FCCSET is to make recommendations to the Director of OSTP with regard to:

"(1) Uniform and effective planning and administration of Federal programs pertaining to inventions, patents, trademarks, copyrights, rights in technical data, and matters connected therewith.

"(2) Uniform policies, regulations, guidelines and practices to carry out the provisions of this Act and other Federal Government objectives in the field of intellectual property.

"(3) Uniformity and effectiveness of interpretation and implementation by individual Federal agencies of the provisions of this Act and other related Federal Government policies, regulations and practices.

These responsibilities were deemed to require special emphasis due to the directive of Title I, Section 101.(c)(4) of P.L. 94-282 set out in discussing Section 102. Further, due to the anticipated need for regulatory implementation, surveillance, and reporting required under the Federal patent policy established by this Act. In carrying out its responsibilities, FCCSET is authorized to:

"(1) Acquire data and reports from the Federal agencies on the interpretation and implementation of this Act and related policies, regulations and practices.

"(2) Review on its own initiative, or upon request by a Federal agency, Federal agency implementation of the provisions of this Act.

"(3) Analyze on a continuing basis data acquired by the COUNCIL.

"(4) Consider problems and developments in the fields of inventions, patents, trademarks, copyrights, rights in technical data, and matters connected therewith and the impact of such on Federal Government policy or uniform accomodation or implementation by Federal agencies.

"(5) Publish annually a report on COUNCIL efforts, findings and recommendations.

It is anticipated that the Committee on Government Patent Policy of the former Federal Council for Science and Technology (FCST) will be reestablished under the authority of Title IV, Section 401.(h) of P.L. 94-282 to operate under the aegis of the FCCSET. The reestablished committee could be renamed the Committee on Intellectual Property to reflect FCCSET's expanded responsibilities to advise not only on patent matters affecting Federal programs but on the use, ownership or licensing of trademarks, copyrights, right-in-data, etc., affecting such programs. Staffing of the Committee on Intellectual Property will be in accordance with Title IV, Section 401.(g) of P.L. 94-282.

The responsibilities of the COUNCIL are not intended to give to the COUNCIL the role of planning, implementing, or modifying the patent, trademark, or copyright laws of the United States or other programs within the respective jurisdiction of the Patent and Trademark Office or the United States Copyright Office.

Section 202 Board for Intellectual Property

Section 202 authorizes the Director of OSTP to establish or designate a Board or Boards to carry out the responsibilities provided for under this Act, as appropriate. It is the intent of this section to provide flexibility to the Director in utilizing existing organizations or mechanisms or to create

new organizations or mechanisms, whichever appears to be most suitable to carry out the responsibilities of the Board(s). This would include the authority to establish a board for intellectual property within OSTP notwithstanding the heretofore advisory nature of OSTP, or to designate existing boards with or without the standard procedures. In any event, any Board or Board(s) established or designated shall consult with the Council and other Federal authorities, such as the Office of Federal Procurement Policy (OFPP) and authorities designated to issue implementing regulations.

TITLE III--ALLOCATION OF PROPERTY RIGHTS IN INVENTIONS
RESULTING FROM FEDERALLY-SPONSORED RESEARCH
AND DEVELOPMENT

Chapter 1--Invention of Contractors

Sec. 311 Criteria for the Allocation of Property Rights in
Subject Inventions.

Section 311 provides for a single patent rights clause which normally is to be used in all Federally-sponsored research and development contracts with the exception of those situations set out in uniform regulations based on recommendations of the Council and promulgated by GSA and DOD or those exceptions provided in Section 312.(c). GSA and DOD have been named because of their present authority to issue such regulations.

It is intended that the regulations of Section 311 may provide for the acquisition of rights greater than the Federal Government's minimum rights of Section 311.(b)(2) in certain classes of contracts where the Government has greater equities, such as, contracts for

the operation of a Government-owned facility. Section 312.(c)(2) defines limited situations where the regulations may permit that the Government acquire lesser rights than those of Section 311.(b)(2). It is emphasized that the promulgation of the regulations of Section 311 is meant to assure Federal Government-wide consistency of action.

(a) Reporting Requirements and Declaration of Intent.

Subsection (a) requires a report on any invention made by the contractor in performance of a Federally-sponsored research and development contract and an election on whether the contractor will file patent applications and seek commercialization. Subsection (a) further permits the Federal Government to defer for a reasonable time release of information disclosing a Federally-sponsored invention to permit a patent application to be filed.

(b) Minimum rights to the Federal Government and the public.

Subsection (b)(1) establishes the Government's right to ownership to those inventions which the contractor has reported but elects not to exercise his option to file a patent application and commercialize, subject only to those nonexclusive license rights normally retained by the contractor.

Subsection (b)(2) establishes the minimum rights the Government must acquire in those instances where the contractor elects to file and commercialize.

Subsection (b)(2)(A) establishes the Government's right to periodic reports on the contractor's progress toward commercialization of a reported invention. These periodic reports

are intended to provide the information necessary to determine whether a Federal agency should exercise the right of Subsection (b)(2)(C) on the basis that the contractor is not taking effective steps to commercialize.

Subsection (b)(2)(B) establishes the Federal Government's right to a nonexclusive, nontransferrable, irrevocable paid-up license for the purpose of practicing the invention for its own needs. The Agency may also include a provision to acquire a license for the needs of State, domestic local or foreign governments if it determines it to be in the National interest. The phrase "foreign policy considerations" is intended to permit an Agency to acquire a license for a lesser developed country to manufacture in its own country in competition with imports.

Subsection (b)(2)(C) establishes a Federal agency's right to acquire from the contractor whatever rights it deems appropriate, including an assignment to the Government, in order to further the commercialization of an invention by parties other than the contractor when the Agency determines that such action is necessary because the contractor is not effectively moving toward commercialization of the invention. Since there may be a reasonable disagreement on whether a contractor is taking effective steps to commercialize, the agency's determination has been made appealable to the Board.

Subsection (b)(2)(D) establishes the Board's right to require the licensing of a third party after appropriate petition, notice and hearing if it deems such action is necessary (i) to

alleviate health, safety or welfare needs, or (ii) to the extent that the invention is required for public use by Federal regulation and where the contractor or his licensee is not satisfying the market created by such health, safety or welfare need or such regulations. It was not intended by this subsection to provide to the Board the authority to require licensing on the mere basis of a predicted or existing marketplace price differential between the contractor and a prospective licensee. However, this may be considered along with other public health, safety or welfare needs.

Subsection (b) (2) (E) establishes the Board's right to require the licensing of a third party after appropriate petition, notice and hearing if it determines that the exclusive rights to the 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." The quoted language is derived from the "Federal Nonnuclear Energy Research and Development Act of 1974" and is discussed in the conference report on S.1283.

Subsection (b) (2) (F) establishes the Board's right commencing ten years from the date of invention or five years after first public use or sale in the United States, whichever occurs first (excepting that time before Federal regulatory agencies necessary to obtain premarket clearance), to require

the licensing of a third party after appropriate petition, notice and hearing if the Board determines after review of the factors set forth in Section 312.(b) that such licensing would best support the purposes of the Act.

The provisions of paragraphs (C), (D) and (E) of this subsection, commonly referred to as "march-in" rights, are intended to cover situations of insufficient use, important and imminent public needs, and considerations of competition which are applicable at any time after title vests in the contractor. The additional "march-in" provision of paragraph (F) provides an appropriate period of exclusivity to encourage contractor participation and commercialization of inventions, because those critical areas of concern where exclusivity may not be appropriate have been covered by the "march-ins" of paragraphs (C), (D) and (E). At the end of such period of exclusivity those inventions which are of interest to competitors may be licensable depending upon the balancing of the criteria set forth in Section 312.(b).

The ten-year period is tolled for the period of time a contractor is required to be before a regulatory agency for premarket clearance of its invention in order to put such inventions on an equal footing with inventions which require no such premarket clearance.

Subsection (b) (3) requires that the Board consult with the Federal agency involved before taking action under Section 311.(b) (2) (D), (E) or (F).

(c) Contractor's rights.

Subsection (c) establishes a defeasible title in the contractor in those inventions on which the contractor files a United States patent application and declares his intent to commercialize subject to those rights granted to the Government in Subsection (b)(2). Subsection (c) further provides that the contractor's employee-inventor may assume the contractor's rights with the permission of the contractor and the sponsoring Federal agency.

Sec. 312 Other Provisions.

(a) Extension of Contractor's exclusive commercial rights.

Subsection (a) permits the sponsoring Federal agency to extend the normal five or ten-year periods of exclusivity of Subsection 311.(b)(2)(F) for good cause following notice to the public and an opportunity for filing written objections. Although the normal periods will satisfactorily create the degree of exclusivity necessary for contractor participation and invention commercialization, there will be a small number of situations which may require an extension of the normal periods. To assure that this authority comes under public scrutiny, however, the agency is required to provide public notice prior to making any extension.

(b) Board considerations.

Subsection (b) suggests to the Board a series of eight factors which it may consider in determining whether and to what extent to exercise its right to require licensing after

the normal period of market exclusivity has expired. Review of these factors against the marketed invention are designed to aid in more sharply defining the equities of the Government, the public and the contractor in such invention.

(c) Alternative criteria of the allocation of property rights in Subject Inventions.

Subsection (c)(1) permits the Head of a Federal agency to deviate on a case-by-case basis from the single patent rights clause in rare situations where exceptional circumstances exist. Each deviation must be published and reported to the Council for review to assure judicious use of the authority. This subsection is not intended to authorize repetitive case-by-case deviations on similar fact situations, because such deviations are to be handled as class deviations under the regulations drafted pursuant to Sections 311 and 312.(c)(2).

Subsection (c)(2) provides that the regulations may permit deviations in two class situations which are considered to pose equity considerations radically different from those that arise in the conventional negotiations for research and development services. These classes cover contracts involving cosponsored cost sharing, or joint venture research where the contractor is required to make a substantial contribution of funds, facilities or equipment, and also special contracting situations such as Federal price or purchase supports and Federal loan or loan guarantees.

Subsection (c)(3) assures that in no event can the antitrust "march-in" of Section 311.(b)(2)(E) be waived by either an Agency or any regulations drafted pursuant to this Act.

Chapter 2--Inventions of Federal Employees

Sec. 321 Reporting of Inventions.

Section 321 requires that Federal employees report to the Federal agency all inventions made while an employee of that Agency.

Sec. 322 Criteria for the allocation of rights to inventions.

Section 322 establishes the criteria for allocation of invention rights between the Federal Government agency and its employee-inventor.

Subsection (a) establishes the right of the Federal Government to obtain the entire right, title and interest in all inventions made by a Federal employee "which bear a relationship to the duties of the employee-inventor, or are made in consequence of his employment."

Subsection (b) establishes the right of a Federal employee to the entire right, title and interest in any invention made by the employee-inventor in any case where the invention does not bear a relation to his duties or was not made in consequence of his employment, subject to certain license rights in the Federal Government if the invention was made with a contribution by the Federal Government.

Subsection (c) establishes in the Federal agency the right to leave the entire right, title and interest in an invention to an employee-inventor notwithstanding the right of the Federal Government to obtain such interest under Subsection (a), where the Agency determines there is an insufficient interest in the invention to justify seeking patent protection. Notwithstanding such right in the Federal agency, it may publish or dedicate to the public such invention if it is determined to be in the public interest.

Subsection (d) establishes in the Federal employee the right to retain the entire right, title and interest in his invention in any case not falling within Subsection (a), (b) or (c).

Sec. 323 Application of criteria.

Subsection (a)(1) sets out employee duties which establish a presumption that an invention made by such employee falls within the criteria of Subsection (a) of Section 322. Thus, for example, if an employee is assigned to conduct research and development work, it is presumed that any invention he makes will be disposed of under the criteria of Section 322.(a), reserving to the Federal Government the right to obtain the entire right, title and interest to such invention.

Subsection (a)(2), however, establishes a presumption that an invention made by an employee whose duties fall outside those listed in Subsection (a)(1) falls within the criteria of Subsection (b) of Section 322 reserving to the employee the entire right, title and interest to such invention subject to certain license rights in the Government.

Subsection (b) provides that either presumption of Subsections (a)(1) and (2) may be rebutted by the facts or circumstances attendant upon the conditions under which any particular invention is made.

Sec. 324 Review of Federal Agency determinations.

Section 324 provides for review of Federal agency determinations regarding the respective rights of the Federal Government and a Federal employee-inventor in situations when the Federal agency determines not to acquire all right, title and interest in an invention or where an employee-inventor when aggrieved by a determination requests review.

Sec. 325 Reassignment of rights.

Section 325 establishes a right in the Federal agency to adjust the rights acquired from a Federal employee-inventor on the basis of evidence that the granting of greater rights to the employee-inventor is necessary to correct an inequitable allocation of rights.

Sec. 326 Incentive Awards Program.

Subsections (a) and (b) provide to the Federal agencies the right to establish an incentive awards program which is intended to monetarily reward or recognize Federal employee-inventors, stimulate inventive creativeness, and encourage disclosures of inventions which in turn will enhance the possibility of utilization through the Federal licensing program established under Title IV.

Subsections (c) and (d) establish the amount of such awards and the procedures under which they shall be granted.

Subsection (e) provides that a cash award is to be considered in addition to the regular pay of the recipient. Further, acceptance of the reward constitutes an agreement that any use by the Federal Government of an invention for which the award is made does not form the basis of a further claim of any nature against the Federal Government by the recipient, his heirs, or assigns.

Subsection (f) designates the fund or appropriation from which the awards should be made.

Subsection (g) makes discretionary the implementation of the awards program of this section.

Sec. 327 Income sharing from patent licenses.

Section 327 establishes the right in a Federal agency to share with the Federal employee-inventor the income received by such Agency from income bearing patent licenses for an invention.

Sec. 328 Conflict of interest.

Section 328 provides that determinations concerning a Federal employee's promotion of his invention is subject to the regulations of the Civil Service Commission. The intent is to ensure that a Federal employee will not be prohibited from promoting his own invention if consistent with the Civil Service Commission regulations governing conflict of interests.

TITLE IV--DOMESTIC AND FOREIGN PROTECTION AND
LICENSING OF FEDERALLY-OWNED INVENTIONS

Sec. 401 Authorities of Federal Agencies.

Section 401 provides the authorities necessary to effectively administer the licensing of Federally-owned inventions.

Subsection (a) authorizes the Federal agencies to apply for, obtain and maintain patents in selected countries on inventions in which the Federal Government owns a right, title and interest.

Subsection (b) authorizes the Agencies to promote the licensing of inventions covered by Federally-owned patents or patent applications.

Subsection (c) authorizes the agencies to grant licenses under Federally-owned patents and patent applications on appropriate terms, including the right in the licensee to sue for infringement.

Subsection (d) authorizes the Agencies to conduct market surveys, acquire technical information and demonstrate the practicability of a Federally-owned invention for the purpose of determining and enhancing its marketability.

Subsection (e) provides to the Agencies the right to defer release of information disclosing an invention the Federal Government owns a right, title or interest in for a reasonable time until a patent application has been filed.

Subsection (f) authorizes the Agencies to utilize all other suitable and necessary steps to protect and administer rights to inventions on behalf of the Federal Government either directly or through contract.

Subsection (g) authorizes the Agencies to transfer custody and administration of a Federally-owned invention to the Department of Commerce or other Federal agency for the purpose of administering the authorities set forth in Subsections (a) through (d) without regard to the property transfer procedures required by the Federal Property and Administrative Services Act of 1949.

Subsection (h) authorizes the Agencies to designate the Department of Commerce as the recipient of funds received from fees, royalties or other management of Federally-owned inventions.

Sec. 402 Authorities of the Department of Commerce in cooperation with other Federal Agencies.

Section 402 provides the authorities necessary to effectively administer the licensing of Federally-owned inventions by the Department of Commerce either in cooperation with other Federal agencies or solely based on a transfer of administration of a Federally-owned invention to the Department of Commerce.

Subsection (a) authorizes the Department of Commerce to coordinate a program for assisting all Federal agencies in carrying out the authorities provided by Section 401.

Subsection (b) authorizes the Department of Commerce to publish notices of all Federally-owned inventions available for licensing.

Subsection (c) authorizes the Department of Commerce to evaluate inventions referred to it by Federal agencies in order to identify those inventions with the greatest commercial potential.

Subsection (d) authorizes the Department of Commerce, with the concurrence of the Agency involved, to assist the Federal agencies in seeking and maintaining protection on inventions in any country, including the payment of fees and costs connected therewith.

Subsection (e) authorizes the Department of Commerce to accept custody and administration of Federally-owned inventions from other Federal agencies without regard to the property transfer procedures of the Federal Property and Administrative Services Act of 1949.

Subsection (f) authorizes the Department of Commerce to receive funds from fees, royalties or other management of Federally-owned inventions authorized by this Act provided such funds will be used only for the purposes specified by this Act.

Subsection (g) authorizes the Department of Commerce to undertake all of the above functions either directly or through contract.

Sec. 403 Authorities of the General Services Administration.

Section 403 authorizes the Administrator of General Services to promulgate regulations specifying the terms and conditions under which Federally-owned inventions may be licensed.

Sec. 404 Grants of an exclusive or partially exclusive license.

Section 404 sets out the terms and conditions under which a Federal agency may grant an exclusive or partially exclusive license.

Subsection (a) provides that an exclusive or partially exclusive license under a domestic patent or patent application shall be

granted only after notice and an opportunity to object has been afforded to the public, and a determination that such licensing is a necessary incentive to call forth the investment of risk capital to bring the invention to practical application, and that the terms and scope of exclusivity are not greater than reasonably necessary to provide such incentive. However, no such license should be granted in the event an Agency determines that the license will "tend substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws." The quoted language is derived from "The Federal Nonnuclear Energy Research and Development Act of 1974" and is discussed in the conference report on S.1283.

Subsection (b) provides to the Federal agencies the authority to grant an exclusive or partially exclusive license under any foreign patent or patent application after notice to the public and opportunity for objection and a determination that such licensing will enhance the interest of the Federal Government or United States industry in foreign commerce. However, such license shall not be granted in the event an Agency determines that the license will "tend to substantially lessen competition or result in undue concentration in any section of the country in any line of commerce in which the technology to be licensed relates, or to create or maintain other situations inconsistent with the antitrust laws."

Subsection (c) requires that the Federal agencies maintain a record of determinations to grant exclusive or partially exclusive licenses.

Subsection (d) requires that the grant of an exclusive or partially exclusive license contain at least (1) a requirement for periodic reports on commercial utilization, (2) the standard paid-up license to the Federal Government, (3) the right in the Federal agency to terminate such license if the licensee is not taking effective steps towards utilization of the licensed invention, and (4) the right of the Federal agency after petition, notice to the public, and hearing three years after the grant of the license, to terminate or modify such license on a determination that such license "has tended substantially to lessen competition or result in undue concentration in any section of the country in any line of commerce to which the technology licensed relates, or to create or maintain other situations inconsistent with the antitrust laws."

TITLE V--MISCELLANEOUS

Chapter 1--Other Related Provisions

Sec. 511 Definitions.

Section 511 sets out the definitions, for the purpose of this Act, for the terms, "Federal agency," "Federal employee," "contract," "contractor," "invention," "subject invention," "practical application," "person," "made," and antitrust law."

Sec. 512 Relationship to Antitrust Laws.

Section 512 is intended to remove any implication that the Act provides immunity from the antitrust laws.

Chapter 2--Amendment to Other Acts

Sec. 521 Identified Acts amended.

Section 521 is intended to amend or repeal parts of other acts covering similar subject matter.

Acts which have been identified as covering similar subject matter are:

"The Agricultural Research and Marketing Act of August 14, 1946".

"The Federal Coal Mine Health and Safety Act of 1969".

"The National Traffic and Motor Vehicle Act of 1966".

"The National Science Foundation Act of 1950".

"The Atomic Energy Act of 1954".

"The National Aeronautics and Space Act of 1958".

"The Coal Research and Development Act of 1960".

"The Helium Act Amendments of 1960".

"The Saline Water Conversion Act of 1961".

"The Arms Control and Disarmament Act of 1961".

"The Water Resources Act of 1964".

"The Appalachian Regional Development Act of 1965".

"The Solid Waste Disposal Act".

"Title 38, U.S.C. 216".

"The Federal Nonnuclear Energy Research and Development Act of 1974".

Chapter 3--Effective Date Provision

Sec. 531 Effective date of Act.

Section 531 provides that this Act shall take effect on the first day of the seventh month beginning after the date of enactment of this Act, except that regulations implementing this Act may be issued prior to such day.