

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

BRIEFING MEMORANDUM ACCOMPANYING PROPOSED DEPARTMENT POSITION ON
H.R. 8596

GENERAL

Congressman Thornton, joined by 13 Congressmen, including Congressman Teague, the Chairman of the Committee on Science and Technology, has introduced H.R. 8596 (formerly 6249) which would establish a uniform Government policy regarding allocation of rights to inventions made by Government employees, contractors, and grantees. The bill also provides legal authority where now lacking for the licensing of patents on Government-owned inventions. The bill has generated a great deal of interest in both the Government and the private sector.

SUMMARY OF H.R. 8596

Substantially all of this paper is directed to Title III, Chapter I, of H.R. 8596, which deals with the allocation of patent rights between the Government and its contractors and grantees, as it is anticipated that this portion of the bill will generate the most significant debate.

Briefly, the other major portions of the bill are:

Title I, which contains a statement of findings and purposes.

Title II, which provides an institutional framework through OSTP and the FCCSET to assure uniform implementation of the Act's provisions.

Title III, Chapter 2, which is an effort to codify the criteria of Executive Order 10096 initially issued by President Truman allocating rights in inventions made by Federal employees in performance of official duties, and also includes authority for an incentive awards program covering inventions made by such employees.

Title IV, which provides all Federal agencies authority to license Federally-owned inventions, and

Title V, which contains definitions, amendments and repealers of existing statutes.

None of these portions are perceived to be as controversial as Title III, Chapter I, as they represent precedents and conclusions that have been to some degree uniformly established. There may be some debate concerning the procedures established for granting licenses under Government-owned patents, especially exclusive licenses, although as written, the bill would seem to contain sufficient procedural limitations to satisfy most critics of exclusive licensing.

Title IV also provides the Department of Commerce with certain additional authorities so that a centralized Government licensing program could be undertaken. Since agency participation in the Commerce program is left to agency discretion, it is not perceived to be controversial.

Controversy over Title III, Chapter I, seems inevitable, since it would supplant over 22 statutory and administrative policies and procedures covering allocation of contractor and grantee inventions. The uniform approach of Title III, Chapter I, permits the first option to title in inventions made by them under Federally-funded grants or contracts, subject to various rights that would be obtained by the Government. But it does allow case-by-case deviations by individual agencies which might be invited, for example, in those isolated cases where the Government is fully funding the development of a product or process to the point of commercial application.

GENESIS OF H.R. 8596

H.R. 8596 is the culmination of years of discussion and agency operating experiences starting from the increased influx of Government research and development funds after World War II to the present 22 billion dollars present investment. The bill had its genesis in and is basically an adaptation of a draft bill that was prepared in 1976 by the interagency Committee on Government Patent Policy of the FCST (now the FCCSET). This draft bill was in turn partially inspired by the Report of the Commission on Government Procurement, which was issued at the end of 1972. This bipartisan commission made up of Congressional, executive branch, and private members recommended that Government patent policy continue to be guided by the President's Memorandum and Statement of Government Patent Policy first issued in 1963 by President Kennedy and revised in 1971 by President Nixon. However, the Commission also put forth an alternative recommendation for legislation quite similar to the H.R. 8596 approach in the event experience under the then recent 1971 revisions was not satisfactory. Subsequent to that report a Justice Department memorandum maintaining that disposition by the Executive Department of future inventions at the time of contracting was disposition of property requiring statutory authority, and lawsuits filed by Public Citizens, Inc., based

on that thesis, have cast a cloud over Government patent policy. In addition, the Congress when instituting a number of new research and development programs enacted statutes which covered, in part, allocation of inventions resulting from such programs in a manner inconsistent with the Commission's recommendations. Notwithstanding the withdrawal of the Justice memorandum and dismissal of the Public Citizens suits, the probability of additional suits based on the same thesis and additional piecemeal legislation prompted the Committee on Government Patent Policy to develop the 1976 draft bill noted.

CURRENT CONTRACT CLAUSES AND PROCEDURES AND THE GOAL OF UNIFORMITY

As noted, primary focus of H.R. 8596 is on the type of provision that should be included in Government research and development grants and contracts for allocating rights in resulting inventions. Essentially there were 3 possible major options available:

- (a) A provision providing to the Government title to all contractor inventions.
- (b) A provision providing that the contractor retain title, subject to whatever licenses and other rights it is agreed that the Government would obtain, or
- (c) A provision that the Government will have the right to determine the disposition of rights in any inventions after they are identified (the "deferred determination" approach).

For the most part, Government agencies now use clauses following only the last 2 alternatives, since even most so-called "Title in the Government" clauses provide to the contractor a right to request greater rights than a nonexclusive license (unless otherwise precluded by statute).

DOD is the best known user of the "Title in the Contractor" clause, while HEW and NSF generally use a deferred determination clause. However, both HEW and NSF also enter into standing agreements with certain universities with effective technology transfer programs allowing them the option of retaining title to inventions. Some agencies and specified research and development programs are precluded by statute from use of a "Title in the Contractor" clause. Actual practice concerning the granting of greater rights under deferred determination clauses also vary considerably, even though GSA regulations provide general guidelines for making such dispositions.

Currently there are approximately 19 statutes governing patent policies. These range from extremely general guidance (the NSF Act), requiring title in the Government, but allowing waivers (NASA and ERDA), to statutes incorporating the President's Statement of Patent Policy. There has been no attempt to provide consistency among these statutes. Notwithstanding the number of outstanding statutes, most agencies including HEW have no statutory provisions governing their policies. For the most part these agencies have been guided by the Presidential Statement of Government Patent Policy and, in fact, many of the agencies with statutes have generally followed that policy to the extent that it is not incompatible with their statutes. However, the Presidential Policy Statement only establishes general guidelines as to when title in the Government, title in the Contractor, or deferred determination clauses should be used. It has not prevented the development of a maize of individual agency regulations and procedures, and has provided no guarantee that agencies would consider similar contracts as requiring similar clauses. Universities and private firms dealing with the Government are thus confronted with a variety of clauses, waiver provisions, forms and procedures. H. R. 8596 has as one of its objectives the elimination of this current web of statutes and regulations.

GENERAL COMMENTS ON TITLE-IN-THE CONTRACTOR AND DEFERRED DETERMINATION
(TITLE IN THE GOVERNMENT) APPROACHES

Of course, the primary issue remains as to whether the approach taken in Title III, Chapter I, is the best one. It is anticipated that opponents of the bill will argue that allowing contractors to retain title is a "give-away," "anticompetitive," and provides contractors with a "windfall."

Objective review of the subject has been difficult to achieve in the past, since some opponents attempt to dispose of the issue through such catchwords and others such as "what the Government pays for it should own." Experience indicates that there are few situations in which Government funds inventions resulting from its programs to the point of practical application. Notwithstanding this experience, it is not possible at this time to statistically conclude that the contractor's ultimate financial contribution to bringing an invention resulting from Government funding to the marketplace is always significant in comparison to that of the Government. This leads to what is believed to be the most persuasive argument or approach available to opponents of the H.R. 8596 approach ... "that disposition be deferred until identification of the invention, at which time the equities of the Government vis-a-vis the contractor in bringing the invention to the marketplace can be assessed objectively."

THE OBJECTIVES OF GOVERNMENT PATENT POLICY

There is general agreement that the primary objectives of Government patent policy should be to (1) promote further private development and utilization of Government-supported inventions, (2) ensure that the Government's interest in practicing inventions resulting from its support is protected, (3) ensure that patent rights in Government-owned inventions are not used in an unfair or anticompetitive manner, and that the development of Government-supported inventions is not suppressed, (4) minimize the cost of administering patent policies, and (5) attract the best qualified contractors.

DOES THE DEFERRED DETERMINATION OR "TITLE-IN-THE-CONTRACTOR" APPROACH
BEST MEET THE OBJECTIVES OF GOVERNMENT PATENT POLICY

Objective (2) is satisfied equally by either approach, since the Government as a minimum will retain a royalty-free license even if the contractor has title.

Objective (4) appears to be more adequately met by the H.R. 8596 approach, since experience indicates that a great amount of contractor and Government time is required to process requests for rights made under deferred determination clauses.

Experience at HEW indicates that objective (5) will best be met by the H.R. 8596 approach. There appears to be little question that many firms, with established commercial positions and not solely engaged in Government contracting, refuse to undertake or compete for Government research and development contracts in the area of their established positions if use of a deferred determination clause is demanded by the Government. The lack of proposals from high technology pharmaceutical concerns at HEW over past years, plus the minimal invention reporting by commercial concerns taking contracts, is indicative of this conclusion.

The real debate, therefore, centers on objectives (1) and (3) of promoting further development and guarding against misuse.

PROMOTING FURTHER DEVELOPMENT

Opponents of H.R. 8596 argue that it will not really ensure greater development and will lead to abuses, i.e., either suppression of inventions in some cases or higher prices ("a windfall") in others because of the patent monopoly. Proponents argue that the H.R. 8596 approach will maximize commercialization of invention, that the potential abuses are more theoretical than real, and that in any case, the bill's

'march-in' provisions are available to rectify any real abuses that might develop. They also argue that the issue of higher prices, to the extent it is true, assumes that the invention is commercialized. They maintain that under the deferred approach many fewer inventions will be commercialized, and for those that are not, the issue of price is moot, and the public is plainly not as well off with fewer improved products.

It appears that the proponents of the H.R. 8596 approach are on sounder ground for reasons which are outlined below. It should be emphasized that one can easily develop hypothetical situations which would demonstrate that keeping title in the Government under a deferred approach would be the desirable alternative in a given case. Conversely, one can build hypotheticals the other way. However, experience indicates that in actual practice the hypotheticals which can be put forward by opponents of H.R. 8596 are remote possibilities. On the other hand, experience also demonstrates the need in many cases for leaving rights in inventions to inventing contractors or grantees if expeditious further development is to take place. There is also considerable doubt, in any case, whether the Federal agencies have the resources and expertise to conduct the type of technical, economic, and marketing studies that would be needed to determine with any degree of certainty the best way to have a given invention commercialized, i.e., by leaving it with the inventing contractor, by dedicating it to the public, or by Government patenting of the invention and licensing.

A decision by any firm to invest in the development and marketing of an embodiment of a patentable invention is dependent on numerous factors. Obviously, patent rights will not be a factor in such decisions unless a potential market is envisioned. But all other things being equal, the existence of patent rights is a positive incentive for investment in commercialization. It is generally believed, and probably statistically provable, that normally the cost of bringing an invention from its initial conception or reduction to practice (which is as far as most Government inventions are funded by the Government) to the commercial market is many times the cost expended in first inventing it under a Government grant or contract.

As a general proposition, the inventing organization is more likely to be interested than will other organizations in commercializing an invention. It is probably also better qualified, or at least as qualified as any other firm, to promote or undertake further technical development. It may have know-how not necessarily available to other companies. It will also normally have an inventor and technical team interested in seeing their idea brought to fruition (the reverse of the "not invented here syndrome"). In the case of many commercial

contractors a Government-supported invention may only be an improvement on extensive contractor-owned technology and, therefore, will not alone form a basis for a major new commercial line.

Because of the above circumstances, proponents of H.R. 8596 argue that there is little reason to deny the inventing contractor the opportunity to retain title to the invention and commercialize it. Indeed, in the case of nonprofit organizations or smaller non-manufacturing firms, the Department has deemed it unreasonable to expect any development or promotional efforts to be undertaken without such rights except in unusual circumstances. There seems little point in the Government taking title and licensing the inventions or going through a deferred determination process if the Government's objective is to maximize utilization. These latter approaches assume that Government personnel will either be in a position (i) to determine if the existence of exclusive patent rights is needed as an incentive to further development, or (ii) to find a better qualified firm to commercialize the invention with exclusive rights.

In regard to the question of whether exclusivity is needed, it should be recognized that if the Government determines that exclusivity is needed but is wrong, no products will be developed. On the other hand, if the Government was right, consumers might save the hypothetical difference in price that would be charged by someone holding exclusive rights, as opposed to someone who developed the product without exclusive rights.

In any case, the public will presumably get an improved product or process which they find more beneficial than its previous alternative. Moreover, for the Government to be right more often than not would require extensive technical, marketing, and economic studies of the firms, technology industries and market involved. The cost to taxpayers of such programs could be more than any savings they would produce for consumers. This appears to be true, since in most cases exclusivity has been deemed necessary, and the costly determination process has been engaged in to simply confirm this fact. (This has been substantiated in practice by NASA and HEW, the two agencies who have historically made the largest number of deferred determinations, and who have granted requests for "greater rights" in over 90 percent of their determinations over the past 10 years.)

Similarly, as regards the possibility of the Government taking title and offering the invention for exclusive licensing, this assumes that commercial developers, other than the inventing contractor, can be found. That may be in some cases, but there is no effective means of ensuring that other firms would do any better job of developing the

invention than a willing contractor or a licensee of the contractor. As noted previously, other firms often lack some of the "know-how" of the contractor and will not have the inventor or co-inventors working for them. And one can be quite sure that in most cases the inventing organization will have little interest or incentive to transfer its know-how to another firm, possibly a competitor. Moreover, the very process of attempting to find alternative developers will simply serve to delay private investment or cool the interest of the inventing contractor. It may also force the Government into the expense of filing patent applications to prevent statutory bars from running during the course of the decision-making.

It seems important to again emphasize that a deferred determination that is truly geared to resolve the questions that trouble opponents of the H.R. 8596 approach would be so costly, complex, and time consuming as to discourage many contractors from requesting rights in the first place, especially small businesses and universities. They may even neglect to report the invention in the first place under those circumstances. In all likelihood, without a request for rights to trigger the process, most agencies will have no real incentive to do anything with the disclosure, and the invention will fall into the public domain to be available to all and, in most cases, practiced by no one, as seems to be the case with substantially all the 22,000 patents now in the Government's patent portfolio. Indeed, the agencies will most likely be devoting so many resources to those cases where rights are requested that there will be insufficient personnel or interest to study inventions and encourage development and marketing where rights are not requested. (This is in fact the current situation in HEW.) Thus, it does appear that H.R. 8596 is more likely to maximize the commercialization of Government-supported inventions than are any alternative approaches.

GUARDING AGAINST MISUSE

This leaves open the question of which policy will best guard against abuse. It seems axiomatic that a policy favoring title in the Government will give Government contractors less opportunity to misuse patent rights, but this is at the extremely high cost of a markedly lower rate of commercialization of inventions. In any case, there is little evidence that the hypothetical abuses that are feared have actually materialized. Government contractors and grantees have been allowed to retain title to numerous inventions over the years. But opponents of the H.R. 8596 approach have never given examples of actual abuses. In any case, H. R. 8596 provides the Government with a variety of remedies through its march-in right provisions in instances where an abuse or problem does develop.

It is also noted that a strong argument exists that allowing contractors to retain patent rights (the H.R. 8596 approach) will promote competition, whereas a title-in-the-Government approach will tend in the opposite direction. Of course, opponents of H.R. 8596 have always argued otherwise. However, their arguments are very much dependent on the assumption of a strong competitive marketplace. In fact, like it or not, many industries are oligarchical in structure and do not fit the model of pure competition. When this is the case, the retention of rights in the Government and a policy of free public use tends to serve the interests of the dominant firms for whom patent rights are not normally a major factor in maintaining dominance. Rather, control of resources, extensive marketing and distribution systems, and superior financial resources are more important factors in maintaining dominance and preventing entry of new firms. On the other hand, smaller firms in an industry must of necessity rely on new innovations and products and a proprietary position in order to compete and grow. Because of this, patent rights tend to be a much more significant factor affecting their investment decisions. They may need the exclusivity of patent rights to offset the probability that a successful innovation would otherwise lead to copying by a more dominant firm which could soon undercut their market through marketing, financial, and other commercial techniques. Thus, a title-in-the-Government oriented approach may, in fact, be anti-competitive, since it encourages the status quo.

THE CONSTITUTION

It seems also apparent that the H.R. 8596 approach is closer in intent to the result envisioned by Article I, Section 8, Paragraph 8 of the Constitution:

"The Congress shall have power to promote the progress of science and useful arts, by securing for limited times to authors and inventors, the exclusive right to their respective writings and discoveries."

On the whole then, it is believed that H.R. 8596 would best meet the various objectives of Government patent policy.

TECHNICAL ATTACHMENT

AMENDMENT 1

Add the following new section 315(d)(2):

- (a) The head of a Federal agency may deviate on a class basis from the single patent rights clause normally used provided that such deviation is necessary to expedite resolution of an imminent public health problem.

Change present section 315(d)(2) to 315(d)(3).

Change present section 315(d)(3) to 315(d)(4).

Discussion: Such authority is necessary to enable the Department to properly manage its research and development program on a timely basis. The need for this authority was evidenced by public reaction to the possibility of the swine flu epidemic.

In any future cases similar to the swine flu situation, it is anticipated that research and development contracts will need to be negotiated with a number of pharmaceutical companies in order to accomplish expeditious delivery of the necessary therapeutic agent. The Department may need to control ownership of any invention made by such a company in performance of its contract in order to assure its availability to all the other companies in the delivery program.

Health, safety, or welfare are the only purposes identified as affecting allocation of invention rights in the bill. Thus, section 313(a)(2)(D)(i) requires licensing of an invention if necessary to resolve a health, safety, or welfare problem. Further, section 315(b)(7) lists public health, safety, or welfare as factors to be considered by the agency in determining whether licensing should be required after the expiration of the normal 7 and 10 year exclusive control period.

If the Department can regain control of an invention after it has been made on the basis of public health considerations, it should also have the ability to deny ownership prior to the making of an invention if it has identified an imminent public health problem.

AMENDMENT 2

It is suggested that the Act's coverage of grant-sponsored research (by defining contracts as including grants) be given more visibility by including definitions near the beginning of the bill.

AMENDMENT 3

Section 313(a)(2)(D)(i) - In lines 12 and 13 of page 10 substitute the words "health or safety" for the words "health, safety, or welfare."

Discussion: The Government has historically retained march-in rights only for "health or safety needs." Reasonable people can agree when a contractor is not satisfying health or safety needs. However, to expand the "march-in" to "welfare needs" appears to overly broaden the march-in to the point of making it undefinable.

AMENDMENT 4

Section 313(a)(2)(E) - Substitute, in lines 4 and 5 of page 11, the words "of the patent application covering the subject invention" for the words "the subject invention was made."

Discussion: Determining when an invention was "made" is probably impossible and certainly subject to varying interpretation. By using the date of filing of the patent application, the beginning of the period will be a time certain not subject to debate.

AMENDMENT 5

Section 313(a)(2)(E) - Add after the word "apply" in line 18 of page 11 the words "to non-profit institutions, their agents, or".

Discussion: Universities and other non-profit organizations do not manufacture and deliver inventions to the public. Accordingly, they should be treated more like small business in the bill, rather than industry subject to the 7 and 10 year limitations of ownership. The only basis for a university to acquire rights to an invention is to promote its utilization through licensing industry. Such licensing has been traditionally on a limited term exclusive basis when necessary and on a non-exclusive basis otherwise. Therefore, the added flexibility will unlikely be abused. The purpose of referral to "agents" is to assure that universities may continue to utilize related non-profit organizations such as Research Corporation and Wisconsin Alumni Research Foundation as their licensing agents.

AMENDMENT 6

Section 313 - After line 9 on page 12 add the following new subsections (c) and (d):

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

Section 316 - On page 15 revise line 23 to read as follows:

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

Section 316 - On line 25 of page 15 delete "or undersubsection (a), (b)" and on line 1 of page 16 delete "or (c) of section 315". In line 5 of page 16 change the word "determination" to "action".

Section 316 - On page 16 after line 5 add the following new subparagraph (b):

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

Discussion: These are a related set of changes pertaining to hearing and appeals procedures under the "march-in" provisions of the bill. As now written these provisions may inhibit investment in Government supported inventions because potential licensees, especially smaller concerns, may be open to excessive harassment by competitors when they perceive that a successful subject invention will bring

competitors into the marketplace. As presently drafted, inventing organizations may shy away from investing in the further development of such inventions. For the same reasons the procedural rights of the contractor vis-a-vis the Government need clarification.

For example, the bill is silent on when contractors are entitled to a hearing in section 313(a)(2)(C) cases and only makes this optional in section 313(a)(2)(D) and (E) cases. Also, while H.R. 6249 does not appear to require a full APA type hearing, it does allow "any person adversely affected" to obtain a de novo hearing in the Court of Claims. It seems that this language would likely be construed to allow competitors or others who initiated or participated in the hearing to bring a de novo appeal, especially in Section 313(a)(2)(D) and (E) cases. Such a procedure effectively removes the decision-making power from the agency and places it in a court. The agency proceeding will largely be meaningless, and competitors or other persons who purport to represent the public interest will be in a position to force the contractor and his licensee to go through a lengthy and expensive process. This costly process would be an especially easy means for dominant members of the industry to harass smaller competitors. The only party that should have standing to appeal an agency's decision on a de novo basis is the contractor, his licensees, or assignees. Moreover, the right of appeal by parties other than the contractor should be limited to Section 313(a)(2)(D) and (E) cases, and no appeal should be permitted of Section 313(a)(2)(C) determinations. The latter creates a rather sweeping march-in right with no time set on its exercise. Because of this, its use should be left to the discretion of the agency with a right of appeal by an adversely affected contractor. Other parties will be able to force judicial review at a later date under Section 313(a)(2)(E), but to allow competitors the means to attack a competitor immediately will discourage the development of Government supported inventions, especially by smaller companies.

In line with the above, the purposes of the recommended changes are to:

- (i) Make it clear that a contractor is always entitled to advance notification and a hearing if he requests, before any Government action is taken under sections 313(a)(2)(C)-(E);
- (ii) To allow the contractor the right to a de novo review of any agency decision under section 313(a)(2)(C)-(E);

- (iii) To eliminate any right of appeal by parties other than the contractor in section 313(a)(2)(C) cases;
- (iv) To limit judicial review under section 313(a)(2)(D) and (E) cases, when the appeal is by a contractor's competitor or other person adversely affected by the agencies' decisions, to a review on the agency record rather than de novo; and
- (v) To make it clear that agency hearings are not required to comply with all the requirements of the Administrative Procedures Act, but at the same time require certain minimum requirements, including a requirement that the agency prepare findings of fact and conclusions, so as to provide a suitable record for judicial review of appeals that are not de novo.

Limiting section 316 to use of contractors, its assignees or a licensee of either eliminates any right of appeal by any party of section 315(a)-(c) matters. Section 315(b) and (c) actually are subsumed as part of section 313(a)(2)(C)-(E) cases, and the change of the word "determination" on page 16, line 5, to "action" is intended to show that the appeal is to the entire decision and remedy prescribed by the agency and not just the "determination". Deletion of the reference to section 315(a) is related to amendment 8 discussed below.

AMENDMENT 7

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

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

AMENDMENTS 8 AND 9

Section 315 - At the end of line 15 on page 13 add the following:

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

Section 315 - On page 13 line 6 delete the words "of the contractor's exclusive commercial rights".

Discussion: Amendment 9 is merely an attempt to correct an inaccurate description of what the period in section 313(a)(2)(E) is. It is not the period "of the contractor's exclusive commercial rights" as now stated. Rather, it is the period after which march-in under section 313(a)(2)(E) may be exercised. Amendment 8 ties in with Amendment 6 and is intended to make it clear that an agency's decision either to extend the section 313(a)(2)(e) period or to refuse to extend it are not subject to appeal or judicial review. In some instances, such extensions may be necessary to allow the successful licensing of an invention. A right of appeal coupled with the public notice requirement would be a sure invitation to litigation by dominant competitors of the proposed licensee.