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 regulati 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 t 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 intend 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 appropriat 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, acceptanc of the reward consitutes 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 appropriat 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".