

Calendar No. 665

103^D CONGRESS
2^D SESSION

S. 1537

A BILL

To amend the Stevenson-Wydler Technology
Innovation Act of 1980.

SEPTEMBER 28 (legislative day, SEPTEMBER 12), 1994
Reported with an amendment

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103^D CONGRESS
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S. 1537

To amend the Stevenson-Wydler Technology Innovation Act of 1980.

IN THE SENATE OF THE UNITED STATES

OCTOBER 7 (legislative day, SEPTEMBER 27), 1993

Mr. ROCKEFELLER (for himself and Mr. DECONCINI) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

SEPTEMBER 28 (legislative day, SEPTEMBER 12), 1994

Reported by Mr. HOLLINGS, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend the Stevenson-Wydler Technology Innovation Act of 1980.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Technology Commer-
5 cialization Act of 1993”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds and declares the following:

1 (1) The commercialization of technology and in-
2 dustrial innovation are central to the economic, envi-
3 ronmental, and social well-being of citizens of the
4 United States.

5 (2) The Government can help United States
6 business to speed the development of new products
7 and processes by entering into Cooperative Research
8 and Development Agreements which make available
9 the assistance of the Federal laboratories to the pri-
10 vate sector, but the commercialization of technology
11 and industrial innovation in the United States de-
12 pends largely upon actions by business.

13 (3) Government action to claim a right of own-
14 ership to any invention or other intellectual property
15 developed under a Cooperative Research and Devel-
16 opment Agreement can inhibit the establishment of
17 such agreements with business and can prevent the
18 commercialization of technology and industrial inno-
19 vation by business.

20 (4) The commercialization of technology and in-
21 dustrial innovation in the United States will be en-
22 hanced if the ownership of any invention or other in-
23 tellectual property developed under a Cooperative
24 Research and Development Agreement belongs to a

1 company or companies incorporated in the United
2 States.

3 **SEC. 3. TITLE TO INTELLECTUAL PROPERTY ARISING**
4 **FROM COOPERATIVE RESEARCH AND DEVEL-**
5 **OPMENT AGREEMENTS.**

6 Section 12 of the Stevenson-Wydler Technology Inno-
7 vation Act of 1980 (15 U.S.C. 3710a) is amended as
8 follows:

9 (1) In the text of subsection (b) immediately
10 preceding paragraph (1), strike “Government-oper-
11 ated Federal laboratory, and to the extent provided
12 in an agency-approved joint work statement, a Gov-
13 ernment-owned contractor-operated laboratory, may”
14 and insert “Federal laboratory shall ensure that title
15 to any intellectual property arising from the agree-
16 ment, except intellectual property developed in whole
17 by a laboratory employee, is assigned to the collabo-
18 rating party or parties to the agreement in exchange
19 for reasonable compensation to the laboratory, and
20 may”.

21 (2) In subsection (b)(2), strike “or in part”.

22 (3) Amend subsection (b)(3) to read as follows:

23 “(3) retain a nonexclusive, nontransferable, ir-
24 revocable, paid-up license from the collaborating
25 party or parties for any intellectual property arising

1 from the agreement, and have such license practiced
2 throughout the world by or on behalf of the Govern-
3 ment, but shall not, in the exercise of such license,
4 publicly disclose proprietary information related to
5 the license;”.

6 (4) Amend subsection (b)(4) to read as follows:

7 “(4) retain the right, in accordance with proce-
8 dures provided in regulations promulgated under
9 this section, to require a collaborating party to grant
10 to a responsible applicant or applicants a
11 nonexclusive, partially exclusive, or exclusive license
12 to use the subject intellectual property in any field
13 of use, on terms that are reasonable under the cir-
14 cumstances, or if the collaborating party fails to
15 grant such a license, to grant the license itself if the
16 laboratory finds that—

17 “(A) the collaborating party has not taken,
18 and is not expected to take within a reasonable
19 time, effective steps to achieve practical applica-
20 tion of the subject intellectual property in the
21 field of use;

22 “(B) such action is necessary to meet
23 health or safety needs that are not reasonably
24 satisfied by the collaborating party;

1 ~~“(C) such action is necessary to meet re-~~
2 ~~quirements for public use specified by Federal~~
3 ~~regulations and such requirements are not rea-~~
4 ~~sonably satisfied by the collaborating party; or~~

5 ~~“(D) the collaborating party has not en-~~
6 ~~tered into or is in breach of an agreement made~~
7 ~~pursuant to subsection (c)(4)(B).”.~~

8 (5) In subsection (d)(2), strike “and” at the
9 end;

10 (6) In subsection (d)(3), strike the period at the
11 end and insert “; and”.

12 (7) At the end of subsection (d), insert the fol-
13 lowing new paragraph:

14 ~~“(4) the term ‘intellectual property rights’~~
15 ~~means—~~

16 ~~“(A) in the case of government-owned,~~
17 ~~government-operated Federal laboratories, pat-~~
18 ~~ents; and~~

19 ~~“(B) in the case of government-owned,~~
20 ~~contractor-operated Federal laboratories, pat-~~
21 ~~ents, copyrights, and computer chip mask work~~
22 ~~registrations.”.~~

1 **SEC. 4. DISTRIBUTION OF INCOME FROM INTELLECTUAL**
 2 **PROPERTY RECEIVED BY FEDERAL LABORA-**
 3 **TORIES.**

4 Section 14 of the Stevenson-Wydler Technology Inno-
 5 vation Act of 1980 (15 U.S.C. 3710c) is amended to read
 6 as follows:

7 **“SEC. 14. DISTRIBUTION OF INCOME FROM INTELLECTUAL**
 8 **PROPERTY RECEIVED BY FEDERAL AGEN-**
 9 **CIES OR LABORATORIES.**

10 **“(a) IN GENERAL.—**

11 **“(1) Except as provided in paragraphs (2) and**
 12 **(4), any income received by a Federal agency or lab-**
 13 **oratory from the licensing or assignment of intellec-**
 14 **tual property under agreements entered into by Fed-**
 15 **eral laboratories under section 12, and intellectual**
 16 **property of Federal agencies or laboratories licensed**
 17 **under section 207 of title 35, United States Code,**
 18 **or under any other provision of law, shall be re-**
 19 **tained by the agency or laboratory and shall be dis-**
 20 **posed of as follows:**

21 **“(A)(i) The head of the agency or labora-**
 22 **tory or his designee shall pay to the laboratory**
 23 **employee or employees who have assigned their**
 24 **rights in the intellectual property to the United**
 25 **States, to the laboratory operator, or to a col-**

1 laborating party or parties to a research agree-
2 ment an amount equal to the sum of—

3 “(I) the first \$10,000 received by the
4 agency or laboratory from the intellectual
5 property; and

6 “(II) 15 percent of any income re-
7 ceived by the agency or laboratory from
8 the intellectual property in excess of the
9 sum of the amount paid pursuant to item
10 (I) and the value of unreimbursed research
11 and development resources provided by the
12 laboratory under the terms of the agree-
13 ment.

14 “(ii) An agency or laboratory may provide
15 appropriate incentives from royalties to labora-
16 tory employees who contribute substantially to
17 the technical development of licensed or as-
18 signed intellectual property between the time
19 that the intellectual property rights are legally
20 asserted and the time of the licensing or assign-
21 ing of the intellectual property rights.

22 “(iii) The agency or laboratory shall retain
23 the income received from intellectual property
24 until the agency or laboratory makes payments
25 to laboratory employees under clause (i) or (ii).

1 “(B) The balance of the income shall be
2 transferred to the agency’s laboratories, with
3 the majority share of the royalties or other in-
4 come going to the laboratory where the intellec-
5 tual property originated, and the income so
6 transferred to any such laboratory may be used
7 or obligated by that laboratory during the fiscal
8 year in which it is received or during the suc-
9 ceeding fiscal year—

10 “(i) for payment of not more than 15
11 percent of such income for expenses inci-
12 dental to the administration and licensing
13 of intellectual property by the agency or
14 laboratory with respect to intellectual prop-
15 erty which originated at that laboratory,
16 including the fees or other costs for the
17 services of other agencies, persons, or or-
18 ganizations for intellectual property man-
19 agement and licensing services;

20 “(ii) to reward scientific, engineering,
21 and technical employees of the laboratory,
22 including developers of sensitive or classi-
23 fied technology, regardless of whether the
24 technology has commercial applications;

1 ~~“(iii) to further scientific exchange~~
2 ~~among the laboratories of the agency; or~~

3 ~~“(iv) for education and training of~~
4 ~~employees consistent with the research and~~
5 ~~development mission and objectives of the~~
6 ~~agency or laboratory; and for other activi-~~
7 ~~ties that increase the potential for transfer~~
8 ~~of the technology of the laboratories of the~~
9 ~~agency.~~

10 All income retained by the agency or laboratory
11 after payments have been made pursuant to sub-
12 paragraphs (A) and (B) that is unobligated and un-
13 expended at the end of the fiscal year succeeding the
14 fiscal year in which the income was received shall be
15 paid into the United States Treasury.

16 ~~“(2) If, after payments to employees under~~
17 ~~paragraph (1), the intellectual property income re-~~
18 ~~ceived by an agency and its laboratories in any fiscal~~
19 ~~year exceeds 5 percent of the budget of the labora-~~
20 ~~tories of the agency for that year, 75 percent of such~~
21 ~~excess shall be paid to the United States Treasury~~
22 ~~and the remaining 25 percent may be used or obli-~~
23 ~~gated for the purposes described in clauses (i)~~
24 ~~through (iv) of paragraph (1)(B) during that fiscal~~
25 ~~year or the succeeding fiscal year. Any income not~~

1 so used or obligated shall be paid into the United
2 States Treasury.

3 ~~“(3) Any payment made to an employee under~~
4 ~~this section shall be in addition to the regular pay~~
5 ~~of the employee and to any other awards made to~~
6 ~~the employee, and shall not affect the entitlement of~~
7 ~~the employee to any regular pay, annuity, or award~~
8 ~~to which the employee is otherwise entitled or for~~
9 ~~which the employee is otherwise eligible, or limit the~~
10 ~~amount thereof. Any payment made under this sec-~~
11 ~~tion to any employee shall continue after the em-~~
12 ~~ployee leaves the employment of the laboratory or~~
13 ~~agency.~~

14 ~~“(4) A Federal agency receiving income as a re-~~
15 ~~sult of intellectual property management services~~
16 ~~performed for another Federal agency or laboratory~~
17 ~~under section 207 of title 35, United States Code,~~
18 ~~may retain such income to the extent required to~~
19 ~~offset the payment of income from intellectual prop-~~
20 ~~erty under paragraph (1)(A)(i), and costs and ex-~~
21 ~~penses incurred under paragraph (1)(B)(i), includ-~~
22 ~~ing the cost of foreign protection of the intellectual~~
23 ~~property of the other agency. All income remaining~~
24 ~~after payment of the income, costs, and expenses de-~~
25 ~~scribed in the preceding sentence shall be trans-~~

1 ferred to the agency for which the services were per-
2 formed, for distribution in accordance with clauses
3 (i) through (iv) of paragraph (1)(B).

4 “(b) CERTAIN ASSIGNMENTS.—If the intellectual
5 property from which the income is derived was assigned
6 to the Federal agency—

7 “(1) by a contractor, grantee, or participant in
8 a cooperative agreement with the agency; or

9 “(2) by an employee of the agency who was not
10 working in the laboratory at the time the intellectual
11 property was originated;

12 the agency unit that was involved in such assignment shall
13 be considered to be a laboratory for purposes of this sec-
14 tion.

15 “(c) REPORTS.—

16 “(1) In making its annual submission to the
17 Congress, each Federal agency shall submit, to the
18 appropriate authorization and appropriations com-
19 mittee of both Houses of the Congress, a summary
20 of the amount of income received from intellectual
21 property and expenditures made (including employee
22 awards) under this section.

23 “(2) Not later than October 1, 1996, the Comp-
24 troller General shall review the effectiveness of the
25 various income-sharing programs established under

1 this section and report to the appropriate commit-
2 tees of the House of Representatives and the Senate,
3 in a timely manner, the Comptroller General's find-
4 ings, conclusions, and recommendations for improve-
5 ments in such programs.”.

6 **SEC. 5. AMENDMENT TO BAYH-DOLE ACT.**

7 Section 210(e) of title 35, United States Code, is
8 amended by inserting “and the Technology Commer-
9 cialization Act of 1993” after “Federal Technology Trans-
10 fer Act of 1986”.

11 **SECTION 1. SHORT TITLE.**

12 *This Act may be cited as the “Technology Commer-*
13 *cialization Act of 1994”.*

14 **SEC. 2. FINDINGS.**

15 *The Congress finds and declares the following:*

16 (1) *The commercialization of technology and in-*
17 *dustrial innovation are central to the economic, envi-*
18 *ronmental, and social well-being of citizens of the*
19 *United States.*

20 (2) *The Government can help United States busi-*
21 *ness to speed the development of new products and*
22 *processes by entering into cooperative research and*
23 *development agreements which make available the as-*
24 *sistance of Federal laboratories to the private sector,*
25 *but the commercialization of technology and indus-*

1 *trial innovation in the United States depends largely*
2 *upon actions by business.*

3 *(3) The commercialization of technology and in-*
4 *dustrial innovation in the United States will be en-*
5 *hanced if companies, in return for reasonable com-*
6 *ensation to the Government, can more easily obtain*
7 *exclusive licenses to inventions which they develop*
8 *jointly with Federal laboratory scientists.*

9 **SEC. 3. TITLE TO INTELLECTUAL PROPERTY ARISING FROM**
10 **COOPERATIVE RESEARCH AND DEVELOP-**
11 **MENT AGREEMENTS.**

12 *Section 12(b) of the Stevenson-Wydler Technology In-*
13 *novation Act of 1980 (15 U.S.C. 3710a(b)) is amended to*
14 *read as follows:*

15 *“(b) ENUMERATED AUTHORITY.—*

16 *“(1) Under an agreement entered into pursuant*
17 *to subsection (a)(1) a laboratory shall ensure that a*
18 *collaborating party has the right of first refusal to an*
19 *exclusive license for one or more fields of use in any*
20 *invention jointly made by its employee and a labora-*
21 *tory employee under the agreement in exchange for*
22 *reasonable compensation to the laboratory and sub-*
23 *mission of a satisfactory plan to commercialize the*
24 *invention. In consideration for the Government’s con-*
25 *tribution under the agreement, the rights of the col-*

1 *laborating party shall be subject to the following con-*
2 *ditions:*

3 “(A) *The agreement includes a nonexclusive,*
4 *nontransferable, irrevocable, paid-up license from*
5 *the collaborating party to the laboratory to prac-*
6 *tice the invention or have the invention practiced*
7 *throughout the world by or on behalf of the Gov-*
8 *ernment but, in the exercise of such license, the*
9 *Government shall not publicly disclose propri-*
10 *etary information related to the license.*

11 “(B) *The Government shall have the right to*
12 *require a collaborating party to grant to a re-*
13 *sponsible applicant or applicants a nonexclusive,*
14 *partially exclusive, or exclusive license to use the*
15 *invention in any field of use, on terms that are*
16 *reasonable under the circumstances, or if the col-*
17 *laborating party fails to grant such a license, to*
18 *grant the license itself if the Government finds*
19 *that—*

20 “(i) *the collaborating party has not*
21 *taken, and is not expected to take within a*
22 *reasonable time, effective steps to achieve*
23 *practical application of the invention in the*
24 *field of use;*

1 “(ii) the action is necessary to meet
2 health or safety needs that are not reason-
3 ably satisfied by the collaborating party;

4 “(iii) the action is necessary to meet
5 requirements for public use specified by
6 Federal regulations and such requirements
7 are not reasonably satisfied by the collabo-
8 rating party; or

9 “(iv) the collaborating party has failed
10 to comply with the agreement implementing
11 subsection (c)(4)(B).

12 “(2) Under an agreement entered into under sub-
13 section (a)(1), a laboratory may—

14 “(A) accept, retain, and use funds, person-
15 nel, services, and property from a collaborating
16 party and provide personnel, services, and prop-
17 erty to a collaborating party;

18 “(B) grant or agree to grant in advance, to
19 a collaborating party, a license or assignment, or
20 an option thereto, in any invention made solely
21 by a laboratory employee under the agreement,
22 subject to—

23 “(i) a nonexclusive, nontransferable,
24 irrevocable, paid-up license to practice the
25 invention or have the invention practiced

1 *throughout the world by or on behalf of the*
2 *Government and such other right as the lab-*
3 *oratory deems appropriate;*

4 “(ii) *the right of the Government to re-*
5 *quire a collaborating party to grant to a re-*
6 *sponsible applicant a nonexclusive, par-*
7 *tially exclusive, or exclusive license to use*
8 *the invention in any field of use, on terms*
9 *that are reasonable under the circumstances,*
10 *or, if the collaborating party fails to grant*
11 *such a license, to grant the license itself if*
12 *the Government makes a finding under*
13 *paragraph (1)(B); and*

14 “(iii) *the right of the laboratory to re-*
15 *quire a collaborating party to submit a sat-*
16 *isfactory plan to commercialize the inven-*
17 *tion;*

18 “(C) *determine a right in other intellectual*
19 *property developed under an agreement entered*
20 *into under subsection (a)(1);*

21 “(D) *to the extent consistent with any ap-*
22 *plicable agency requirement or standard of con-*
23 *duct, permit an employee or former employee of*
24 *the laboratory to participate in an effort to com-*
25 *mercialize an invention made by the employee or*

1 *former employee while in the employment or*
2 *service of the Government; and*

3 “(E) *grant to a collaborating party, in an*
4 *exclusive license in any invention made under*
5 *the agreement, the right of enforcement under*
6 *chapter 29 of title 35, United States Code, if ap-*
7 *propriate and in the public interest.*

8 “(3) *Under an agreement entered into under sub-*
9 *section (a)(1), the laboratory shall ensure that a col-*
10 *laborating party may retain title to any invention*
11 *which is made solely by its employee in which the*
12 *Government may have any nontransferable, irrev-*
13 *ocable, paid-up license to practice the invention or*
14 *have the invention practiced throughout the world by*
15 *or on behalf of the Government and such other right*
16 *as the Government deems appropriate.*

17 “(4) *A Government-owned contractor-operated*
18 *laboratory that enters into a cooperative research and*
19 *development agreement under subsection (a)(1) may*
20 *use or obligate royalties or other income accruing to*
21 *the laboratory under an agreement with respect to*
22 *any invention only—*

23 “(A) *for payments to inventors;*

24 “(B) *for a purpose described in section*
25 *14(a)(1)(B)(i) or (iv) of this Act; or*

1 “(C) for scientific research and development
2 consistent with the research and development
3 mission and objective of the laboratory.”.

4 **SEC. 4. DISTRIBUTION OF INCOME FROM INTELLECTUAL**
5 **PROPERTY RECEIVED BY FEDERAL LABORA-**
6 **TORIES.**

7 Section 14 of the Stevenson-Wydler Technology Inno-
8 vation Act of 1980 (15 U.S.C. 3710c) is amended—

9 (1) by striking “INCOME” in the section head-
10 ing and inserting “ROYALTIES”,

11 (2) by striking “income” each place it appears
12 in subsection (a) and inserting “payments”,

13 (3) by striking “inventions of Government-oper-
14 ated Federal laboratories licensed” in subsection
15 (a)(1) and inserting “the licensing of inventions of
16 Government-operated laboratories”,

17 (4) by inserting “the first \$2,000, and there-
18 after” after “pay” in subsection (a)(1)(A)(i),

19 (5) by inserting “or other payments” after “roy-
20 alties” in subsection (a)(2),

21 (6) by striking “the payment of royalties” in the
22 first sentence of subsection (a)(4) and inserting “pay-
23 ments to inventor”,

1 (7) by striking “payment of the royalties,” in the
2 second sentence of subsection (a)(4) and inserting
3 “offsetting the payments to inventors,”

4 (8) by amending paragraph (1) of subsection (b)
5 to read as follows:

6 “(1) by a contractor, grantee, participant, or
7 employee thereof, in an agreement or other arrange-
8 ment with the agency; or”, and

9 (9) by striking “working in the laboratory” in
10 paragraph (2) of subsection (b) and inserting “re-
11 quired by any regulation to assign the invention to
12 the agency”.

13 **SEC. 5. AMENDMENT TO BAYH-DOLE ACT.**

14 Section 210(e) of title 35, United States Code, is
15 amended by inserting “and the Technology Commercializa-
16 tion Act of 1994” after “Federal Technology Transfer Act
17 of 1986”.