

Calendar No. 668

105TH CONGRESS
2^D SESSION

S. 2120

[Report No. 105-358]

To improve the ability of Federal agencies to license federally-owned inventions.

IN THE SENATE OF THE UNITED STATES

MAY 22, 1998

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

SEPTEMBER 30, 1998

Reported by Mr. MCCAIN, with an amendment

[Omit the part struck through and insert the part printed in *italie*]

A BILL

To improve the ability of Federal agencies to license federally-owned inventions.

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 Transfer
5 Commercialization Act of 1998”.

1 **SEC. 2. COOPERATIVE RESEARCH AND DEVELOPMENT**
 2 **AGREEMENTS.**

3 Section 12(b)(1) of the Stevenson-Wydler Technology
 4 Innovation Act of 1980 (15 U.S.C. 3710a(b)(1)) is
 5 amended by inserting “or, subject to section 209 of title
 6 35, United States Code, may grant a license to an inven-
 7 tion which is Federally owned, made before the signing
 8 of the agreement, and directly related to the scope of the
 9 work under the agreement,” after “under the agree-
 10 ment,”.

11 **SEC. 3. LICENSING FEDERALLY-OWNED INVENTIONS.**

12 (a) AMENDMENT.—Section 209 of title 35, United
 13 States Code, is amended to read as follows:

14 **“§ 209. Licensing federally-owned inventions**

15 “(a) AUTHORITY.—A Federal agency may grant an
 16 exclusive or partially exclusive license on a federally-owned
 17 invention only if—

18 “(1) granting the license is a reasonable and
 19 necessary incentive to—

20 “(A) call forth the investment capital and
 21 expenditures needed to bring the invention to
 22 practical application; or

23 “(B) otherwise promote the invention’s uti-
 24 lization by the public;

25 “(2) the Federal agency finds that the public
 26 will be served by the granting of the license, as indi-

1 cated by the applicant’s intentions, plans, and ability
2 to bring the invention to practical application or oth-
3 erwise promote the invention’s utilization by the
4 public, and that the proposed scope of exclusivity is
5 not greater than reasonably necessary to provide the
6 incentive for bringing the invention to practical utili-
7 zation, as proposed by the applicant, or otherwise to
8 promote the invention’s utilization by the public;

9 “(3) the applicant makes a commitment to
10 achieve practical utilization of the invention within a
11 reasonable time;

12 “(4) granting the license will not tend to sub-
13 stantially lessen competition or create or maintain a
14 violation of the Federal antitrust laws; and

15 “(5) in the case of an invention covered by a
16 foreign patent application or patent, the interests of
17 the Federal Government or United States industry
18 in foreign commerce will be enhanced.

19 “(b) MANUFACTURE IN UNITED STATES.—A Federal
20 agency shall normally grant any license to use or sell any
21 federally-owned invention in the United States only to a
22 licensee who agrees that any products embodying the in-
23 vention or produced through the use of the invention will
24 be manufactured substantially in the United States.

1 “(c) SMALL BUSINESS.—First preference for the
2 granting of any exclusively or partially exclusive licenses
3 under this section shall be given to small business firms
4 having equal or greater likelihood as other applicants to
5 bring the invention to practical application within a rea-
6 sonable time.

7 “(d) TERMS AND CONDITIONS.—Any licenses grant-
8 ed under section 207 shall contain such terms and condi-
9 tions as the granting agency considers appropriate. Such
10 terms and conditions—

11 “(1) shall include provisions—

12 “(A) retaining a nontransferable, irrev-
13 ovable, paid-up license for the Federal agency
14 to practice the invention or have the invention
15 practiced throughout the world by or on behalf
16 of the Government of the United States;

17 “(B) requiring periodic reporting on utili-
18 zation of the invention, and utilization efforts,
19 by the licensee, but only to the extent necessary
20 to enable the Federal agency to determine
21 whether the terms of the license are being com-
22 plied with; and

23 “(C) empowering the Federal agency to
24 terminate the license in whole or in part if the
25 agency determines that—

1 “(i) the licensee is not executing its
2 commitment to achieve practical utilization
3 of the invention, including commitments
4 contained in any plan submitted in support
5 of its request for a license, and the licensee
6 cannot otherwise demonstrate to the satis-
7 faction of the Federal agency that it has
8 taken, or can be expected to take within a
9 reasonable time, effective steps to achieve
10 practical utilization of the invention;

11 “(ii) the licensee is in breach of an
12 agreement described in subsection (b);

13 “(iii) termination is necessary to meet
14 requirements for public use specified by
15 Federal regulations issued after the date of
16 the license, and such requirements are not
17 reasonably satisfied by the licensee; or

18 “(iv) the licensee has been found by a
19 competent authority to have violated the
20 Federal antitrust laws in connection with
21 its performance under the license agree-
22 ment.

23 “(e) PUBLIC NOTICE.—No exclusive or partially ex-
24 clusive license may be granted under this section unless
25 public notice of the intent to grant such a license has been

1 provided at least 30 days before the license is granted,
2 and the Federal agency has considered all comments re-
3 ceived in response to that public notice.

4 “(f) DEVELOPMENT PLAN.—A Federal agency may
5 grant a license on a federally-owned invention only if the
6 person requesting the license has supplied to the agency
7 a basic business plan with development or commercializa-
8 tion milestones. Each Federal agency, in consultation with
9 the Small Business Administration, shall develop consist-
10 ent standards for exempting small business firms from the
11 requirements of this subsection for non-exclusive licenses.

12 “(g) NONDISCLOSURE OF CERTAIN INFORMATION.—
13 An application shall include, as an independent subdocu-
14 ment a detailed description of the applicant’s plan for de-
15 velopment or marketing (or both) of the invention. The
16 subdocument, which is exempt from disclosure under sec-
17 tion 552 of title 5, United States Code, shall include only
18 a statement—

19 “(1) of the time, nature, and amount of antici-
20 pated investment of capital and other resources
21 which the applicant believes will be required to bring
22 the invention to practical application;

23 “(2) as to the applicant’s capability and inten-
24 tion to fulfill the plan, including information regard-

1 ing manufacturing, marketing, financial, and tech-
 2 nical resources;

3 “(3) of the fields of use for which the applicant
 4 intends to practice the invention; and

5 “(4) of the geographic areas—

6 “(A) in which the applicant intends to
 7 manufacture any product embodying the inven-
 8 tion;

9 “(B) where the applicant intends to use or
 10 sell the invention; or

11 “(C) both.”

12 (b) CONFORMING AMENDMENT.—The item relating
 13 to section 209 in the table of sections for chapter 18 of
 14 title 35, United States Code, is amended to read as fol-
 15 lows:

“209. Licensing federally-owned inventions.”

16 **SEC. 4. REVIEW OF COOPERATIVE RESEARCH AND DEVEL-**
 17 **OPMENT AGREEMENT PROCEDURES.**

18 (a) REVIEW.—The Director of the Office of Science
 19 and Technology Policy, in consultation with the Office of
 20 Management and Budget, relevant Federal agencies, na-
 21 tional laboratories, and any other person the Director con-
 22 siders appropriate, shall review the procedures used by
 23 Federal agencies to gather and consider the views of other
 24 agencies before final approval or disapproval of—

1 (1) a joint work statement under section
2 12(c)(5)(C) or (D) of the Stevenson-Wydler Tech-
3 nology Innovation Act of 1980 (15 U.S.C.
4 3710a(c)(5)(C) or (D)); or

5 (2) in the case of a laboratory described in sec-
6 tion 12(d)(2)(A) of the Stevenson-Wydler Tech-
7 nology Innovation Act of 1980 (15 U.S.C.
8 3710a(d)(2)(A)), a cooperative research and develop-
9 ment agreement under such section 12, that involves
10 national security, or relates to a project which may
11 have a significant impact on domestic or inter-
12 national competitiveness.

13 (b) ~~PROCEDURES.—Within 1 year after the date of~~
14 ~~enactment of this Act, the Director of the Office of Science~~
15 ~~and Technology Policy shall establish and distribute to ap-~~
16 ~~propriate Federal agencies—~~

17 ~~(1) specific criteria to indicate the necessity for~~
18 ~~interagency review of an approval or disapproval de-~~
19 ~~scribed in subsection (a); and~~

20 ~~(2) procedures for carrying out such inter-~~
21 ~~agency review.~~

22 (b) *PROCEDURES.—Within 1 year after the date of en-*
23 *actment of this Act, the Director of the Office of Science*
24 *and Technology Policy, in consultation with relevant Fed-*
25 *eral agencies and national laboratories, shall—*

1 (1) *determine the adequacy of existing proce-*
2 *dures and methods for interagency coordination and*
3 *awareness; and*

4 (2) *establish and distribute to appropriate Fed-*
5 *eral agencies—*

6 (A) *specific criteria to indicate the necessity*
7 *for gathering and considering the views of other*
8 *agencies on joint work statements or cooperative*
9 *research and development agreements as de-*
10 *scribed in subsection (a); and*

11 (B) *additional procedures, if any, for carry-*
12 *ing out such gathering and considering of agency*
13 *views.*

14 Procedures established under this subsection shall be de-
15 signed to the extent possible to use or modify existing pro-
16 cedures, to minimize burdens on Federal agencies, and to
17 minimize delay in the approval or disapproval of the joint
18 work statement or cooperative research and development
19 agreement under interagency review.

20 **SEC. 5. TECHNICAL AMENDMENTS TO BAYH-DOLE ACT.**

21 Chapter 18 of title 35, United States Code (popularly
22 known as the “Bayh-Dole Act”), is amended—

23 (1) by amending section 202(e) to read as fol-
24 lows:

1 “(e) In any case when a Federal employee is a co-
2 inventor of any invention made under a funding agreement
3 with a nonprofit organization or small business firm, the
4 Federal agency employing such coinventor may, for the
5 purpose of consolidating rights in the invention—

6 “(1) license or assign whatever rights it may
7 acquire in the subject invention to the nonprofit or-
8 ganization or small business firm; or

9 “(2) acquire any rights in the subject invention
10 from the nonprofit organization or small business
11 firm, but only to the extent the party from whom
12 the rights are acquired voluntarily enters into the
13 transaction.”; and

14 (2) in section 207(a)—

15 (A) by striking “patent applications, pat-
16 ents, or other forms of protection obtained” and
17 inserting “inventions” in paragraph (2); and

18 (B) by inserting “, including acquiring
19 rights for the Federal Government in any in-
20 vention, but only to the extent the party from
21 whom the rights are acquired voluntarily enters
22 into the transaction, to facilitate the licensing
23 of a federally-owned invention” after “or
24 through contract” in paragraph (3).

1 **SEC. 6. TECHNICAL AMENDMENTS TO THE STEVENSON-**
2 **WYDLER TECHNOLOGY INNOVATION ACT OF**
3 **1980.**

4 Section 14(a)(1) of the Stevenson-Wydler Technology
5 Innovation Act of 1980 (15 U.S.C. 3710e(a)(1)) is amend-
6 ed—

7 (1) in subparagraph (A)(i), by inserting “, if
8 the inventor’s or coinventor’s rights are assigned to
9 the United States” after “inventor or coinventors”;
10 and

11 (2) in subparagraph (B), by striking “succeed-
12 ing fiscal year” and inserting “2 succeeding fiscal
13 years”.

Calendar No. 668

105TH CONGRESS
2^D SESSION

S. 2120

[Report No. 105-358]

A BILL

To improve the ability of Federal agencies to
license federally-owned inventions.

SEPTEMBER 30, 1998

Reported with an amendment