

**Calendar No. 294**

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

**S. 1164**

**[Report No. 104-194]**

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**A BILL**

To amend the Stevenson-Wydler Technology Innovation Act of 1980 with respect to inventions made under cooperative research and development agreements, and for other purposes.

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DECEMBER 20, 1995

Reported with amendments

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1<sup>ST</sup> SESSION**S. 1164****[Report No. 104-194]**

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**IN THE SENATE OF THE UNITED STATES**

AUGUST 10 (legislative day, JULY 10), 1995

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

DECEMBER 20, 1995

Reported by Mr. PRESSLER, with amendments

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

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**A BILL**

To amend the Stevenson-Wydler Technology Innovation Act of 1980 with respect to inventions made under cooperative research and development agreements, and for other purposes.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Technology Transfer  
3 Improvements Act of 1995”.

4 **SEC. 2. FINDINGS.**

5 The Congress finds the following:

6 (1) Bringing technology and industrial innova-  
7 tion to the marketplace is central to the economic,  
8 environmental, and social well-being of the people of  
9 the United States.

10 (2) The Federal Government can help United  
11 States business to speed the development of new  
12 products and processes by entering into cooperative  
13 research and development agreements which make  
14 available the assistance of Federal laboratories to  
15 the private sector, but the commercialization of tech-  
16 nology and industrial innovation in the United  
17 States depends upon actions by business.

18 (3) The commercialization of technology and in-  
19 dustrial innovation in the United States will be en-  
20 hanced if companies, in return for reasonable com-  
21 pensation to the Federal Government, can more eas-  
22 ily obtain exclusive licenses to inventions which de-  
23 velop as a result of cooperative research with sci-  
24 entists employed by Federal laboratories.

1 **SEC. 3. USE OF FEDERAL TECHNOLOGY.**

2 Subparagraph (B) of section 11(e)(7) of the Steven-  
3 son-Wydler Technology Innovation Act of 1980 (15 U.S.C.  
4 3710(e)(7)(B)) is amended to read as follows:

5 “(B) A transfer shall be made by any Federal agency  
6 under subparagraph (A), for any fiscal year, only if the  
7 amount so transferred by that agency (as determined  
8 under such subparagraph) would exceed \$10,000.”.

9 **SEC. 4. TITLE TO INTELLECTUAL PROPERTY ARISING**  
10 **FROM COOPERATIVE RESEARCH AND DEVEL-**  
11 **OPMENT AGREEMENTS.**

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

15 “(b) ENUMERATED AUTHORITY.—(1) Under an  
16 agreement entered into pursuant to subsection (a)(1), the  
17 laboratory may grant, or agree to grant in advance, to  
18 a collaborating party patent licenses or assignments, or  
19 options thereto, in any invention made in whole or in part  
20 by a laboratory employee under the agreement, for reason-  
21 able compensation when appropriate. The laboratory shall  
22 ensure that the collaborating party has the option to  
23 choose an exclusive license for a field of use for any such  
24 invention under the agreement or, if there is more than  
25 one collaborating party, that the collaborating parties are  
26 offered the option to hold licensing rights that collectively

1 encompass the rights that would be held under such an  
2 exclusive license by one party. In consideration for the  
3 Government's contribution under the agreement, grants  
4 under this paragraph shall be subject to the following ex-  
5 plicit conditions:

6           “(A) A nonexclusive, nontransferable, irrev-  
7           ocable, paid-up license from the collaborating party  
8           to the laboratory to practice the invention or have  
9           the invention practiced throughout the world by or  
10          on behalf of the Government. In the exercise of such  
11          license, the Government shall not publicly disclose  
12          trade secrets or commercial or financial information  
13          that is privileged or confidential within the meaning  
14          of section 552(b)(4) of title 5, United States Code,  
15          or which would be considered as such if it had been  
16          obtained from a non-Federal party.

17          “(B) If a laboratory assigns title or grants an  
18          exclusive license to such an invention, the Govern-  
19          ment shall retain the right—

20                 “(i) to require the collaborating party to  
21                 grant to a responsible applicant a nonexclusive,  
22                 partially exclusive, or exclusive license to use  
23                 the invention in the applicant's licensed field of  
24                 use, on terms that are reasonable under the cir-  
25                 cumstances; or

1           “(ii) if the collaborating party fails to  
2           grant such a license, to grant the license itself.

3           “(C) The Government may exercise its right re-  
4           tained under subparagraphs (B) (ii) and (iii) only if  
5           the Government finds that—

6           “(i) the action is necessary to meet health  
7           or safety needs that are not reasonably satisfied  
8           by the collaborating party;

9           “(ii) the action is necessary to meet re-  
10          quirements for public use specified by Federal  
11          regulations, and such requirements are not rea-  
12          sonably satisfied by the collaborating party; or

13          “(iii) the collaborating party has failed to  
14          comply with an agreement containing provisions  
15          described in subsection (c)(4)(B).

16          “(2) Under agreements entered into pursuant to sub-  
17          section (a)(1), the laboratory shall ensure that a collabo-  
18          rating party may retain title to any invention made solely  
19          by its employee in exchange for normally granting the  
20          Government a nonexclusive, nontransferable, irrevocable,  
21          paid-up license to practice the invention or have the inven-  
22          tion practiced throughout the world by or on behalf of the  
23          Government for research or other Government purposes.

24          “(3) Under an agreement entered into pursuant to  
25          subsection (a)(1), a laboratory may—

1           “(A) accept, retain, and use funds, personnel,  
2           services, and property from a collaborating party  
3           and provide personnel, services, and property to a  
4           collaborating party;

5           “(B) use funds received from a collaborating  
6           party in accordance with subparagraph (A) to hire  
7           personnel to carry out the agreement who will not be  
8           subject to full-time equivalent restrictions of the  
9           agency; and

10           “(C) to the extent consistent with any applica-  
11           ble agency requirements or standards of conduct,  
12           permit an employee or former employee of the lab-  
13           oratory to participate in an effort to commercialize  
14           an invention made by the employee or former em-  
15           ployee while in the employment or service of the  
16           Government.

17           “(4) A collaborating party in an exclusive license in  
18           any invention made under an agreement entered into pur-  
19           suant to subsection (a)(1) shall have the right of enforce-  
20           ment under chapter 29 of title 35, United States Code.

21           “(5) A Government-owned, contractor-operated lab-  
22           oratory that enters into a cooperative research and devel-  
23           opment agreement pursuant to subsection (a)(1) may use  
24           or obligate royalties or other income accruing to the lab-

1 oratory under such agreement with respect to any inven-  
2 tion only—

3 “(A) for payments to inventors;

4 “(B) for purposes described in clauses (i), (iii),  
5 and (iv) of section 14(a)(1)(B); and

6 “(C) for scientific research and development  
7 consistent with the research and development mis-  
8 sions and objectives of the laboratory.”.

9 **SEC. 5. DISTRIBUTION OF INCOME FROM INTELLECTUAL**  
10 **PROPERTY RECEIVED BY FEDERAL LABORA-**  
11 **TORIES.**

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

14 (1) by amending subsection (a)(1) to read as  
15 follows:

16 “(1) Except as provided in paragraphs (2) and  
17 (4), any royalties or other payments received by a  
18 Federal agency from the licensing and assignment of  
19 inventions under agreements entered into by Federal  
20 laboratories under section 12, and from the licensing  
21 of inventions of Federal laboratories under section  
22 207 of title 35, United States Code, or under any  
23 other provision of law, shall be retained by the agen-  
24 cy whose laboratory produced the invention and shall  
25 be disposed of as follows:

1           “(A)(i) The head of the agency or labora-  
2           tory, or such individual’s designee, shall pay  
3           each year the first \$2,000, and thereafter at  
4           least 15 percent, of the royalties or other pay-  
5           ments to the inventor or coinvestors.

6           “(ii) An agency or laboratory may provide  
7           appropriate incentives, from royalties or other  
8           payments, to employees of laboratory who con-  
9           tribute substantially to the technical develop-  
10          ment of licensed or assigned inventions between  
11          the time that the intellectual property rights to  
12          such inventions are legally asserted and the  
13          time of the licensing or assigning of the inven-  
14          tions.

15          “(iii) The agency or laboratory shall retain  
16          the royalties and other payments received from  
17          an invention until the agency or laboratory  
18          makes payments to employees of a laboratory  
19          under clause (i) or (ii).

20          “(B) The balance of the royalties or other  
21          payments shall be transferred by the agency to  
22          its laboratories, with the majority share of the  
23          royalties or other payments from any invention  
24          going to the laboratory where the invention oc-  
25          curred. The royalties or other payments so

1 transferred to any laboratory may be used or  
2 obligated by that laboratory during the fiscal  
3 year in which they are received or during the  
4 succeeding fiscal year—

5 “(i) to reward scientific, engineering,  
6 and technical employees of the laboratory,  
7 including developers of sensitive or classi-  
8 fied technology, regardless of whether the  
9 technology has commercial applications;

10 “(ii) to further scientific exchange  
11 among the laboratories of the agency;

12 “(iii) for education and training of  
13 employees consistent with the research and  
14 development missions and objectives of the  
15 agency or laboratory, and for other activi-  
16 ties that increase the potential for transfer  
17 of the technology of the laboratories of the  
18 agency;

19 “(iv) for payment of expenses inciden-  
20 tal to the administration and licensing of  
21 intellectual property by the agency or lab-  
22 oratory with respect to inventions made at  
23 that laboratory, including the fees or other  
24 costs for the services of other agencies,  
25 persons, or organizations for intellectual

1 property management and licensing serv-  
2 ices; or

3 “(v) for scientific research and devel-  
4 opment consistent with the research and  
5 development missions and objectives of the  
6 laboratory.

7 “(C) All royalties or other payments re-  
8 tained by the agency or laboratory after pay-  
9 ments have been made pursuant to subpara-  
10 graphs (A) and (B) that is unobligated and un-  
11 expended at the end of the second fiscal year  
12 succeeding the fiscal year in which the royalties  
13 and other payments were received shall be paid  
14 into the Treasury.”;

15 (2) in subsection (a)(2)—

16 (A) by inserting “or other payments” after  
17 “royalties”; and

18 (B) by striking “for the purposes described  
19 in clauses (i) through (iv) of paragraph (1)(B)  
20 during that fiscal year or the succeeding fiscal  
21 year” and inserting in lieu thereof “under para-  
22 graph (1)(B)”;

23 (3) in subsection (a)(3), by striking “\$100,000”  
24 both places it appears and inserting “\$150,000”;

25 (4) in subsection (a)(4)—

1 (A) by striking “income” each place it ap-  
2 pears and inserting in lieu thereof “payments”;

3 (B) by striking “the payment of royalties  
4 to inventors” in the first sentence thereof and  
5 inserting in lieu thereof “payments to inven-  
6 tors”;

7 (C) by striking “clause (i) of paragraph  
8 (1)(B)” and inserting in lieu thereof “clause  
9 (iv) of paragraph (1)(B)”;

10 (D) by striking “payment of the royalties,”  
11 in the second sentence thereof and inserting in  
12 lieu thereof “offsetting the payments to inven-  
13 tors,”; and

14 (E) by striking “~~clause~~ *clauses* (i) through  
15 (iv) of”;

16 (5) by amending paragraph (1) of subsection  
17 (b) to read as follows:

18 “(1) by a contractor, grantee, or participant, or  
19 an employee of a contractor, grantee, or participant,  
20 in an agreement or other arrangement with the  
21 agency, or”.

22 **SEC. 6. EMPLOYEE ACTIVITIES.**

23 Section 15(a) of the Stevenson-Wydler Technology  
24 Innovation Act of 1980 (15 U.S.C. 3710d(a)) is amend-  
25 ed—

1           (1) by striking “the right of ownership to an in-  
 2           vention under this Act” and inserting in lieu thereof  
 3           “ownership of or the right of ownership to an inven-  
 4           tion made by a Federal employee”; and

5           (2) by inserting “obtain or” after “the Govern-  
 6           ment, to”.

7   **SEC. 7. AMENDMENT TO BAYH-DOLE ACT.**

8           Section 210(e) of title 35, United States Code, is  
 9           amended by striking “, as amended by the Federal Tech-  
 10          nology Transfer Act of 1986,”.

11   **SEC. 8. FASTENER QUALITY ACT AMENDMENTS.**

12          (a) *SECTION 2 AMENDMENTS.*—*Section 2 of the Fas-*  
 13          *tener Quality Act (15 U.S.C. 5401) is amended—*

14                 (1) *by striking subsection (a)(4), and redesignat-*  
 15                 *ing paragraphs (5) through (9) as paragraphs (4)*  
 16                 *through (8), respectively;*

17                 (2) *by striking “by lot number” in subsection*  
 18                 *(a)(7), as so redesignated by paragraph (1) of this*  
 19                 *subsection; and*

20                 (3) *by striking “used in critical applications” in*  
 21                 *subsection (b) and inserting “in commerce”.*

22          (b) *SECTION 3 AMENDMENTS.*—*Section 3 of the Fas-*  
 23          *tener Quality Act (15 U.S.C. 5402) is amended—*

1           (1) by striking “having a minimum tensile  
2           strength of 150,000 pounds per square inch” in para-  
3           graph (1)(B);

4           (2) in paragraph (2) by inserting “consensus”  
5           after “or any other”;

6           (3) in paragraph (5)—

7                 (A) by inserting “or” after “standard or  
8                 specification,” in subparagraph (B);

9                 (B) by striking “or” at the end of subpara-  
10                graph (C);

11               (C) by striking subparagraph (D); and

12               (D) by inserting “or produced in accord-  
13                ance with ASTM F 432” after “307 Grade A”;

14           (4) by striking “other person” in paragraph (6)  
15           and inserting “government agency”;

16           (5) by striking “Standard” in paragraph (8)  
17           and inserting “Standards”;

18           (6) by striking paragraph (11) and redesignat-  
19           ing paragraphs (12) through (15) as paragraphs (11)  
20           through (14), respectively;

21           (7) by striking “, a government agency” and all  
22           that follows through “markings of any fastener” in  
23           paragraph (13), as so redesignated, and inserting “or  
24           a government agency”; and

1           (8) by inserting “for the purpose of achieving a  
2           uniform hardness” in paragraph (14), as so redesign-  
3           ated, after “quenching and tempering”.

4           (c) *SECTION 4 REPEAL.*—Section 4 of the *Fastener*  
5           *Quality Act (15 U.S.C. 5403)* is repealed.

6           (d) *SECTION 5 AMENDMENTS.*—Section 5 of the *Fas-*  
7           *tener Quality Act (15 U.S.C. 5404)* is amended—

8           (1) by striking “subsections (b) and (c)” in sub-  
9           section (a)(1)(B) and (2)(A)(i) and inserting “sub-  
10          sections (b), (c), and (d)”;

11          (2) by striking “or, where applicable” and all  
12          that follows through “section 7(c)(1)” in subsection  
13          (c)(2);

14          (3) by striking “, such as the chemical, dimen-  
15          sional, physical, mechanical, and any other” in sub-  
16          section (c)(3);

17          (4) by inserting “except as provided in sub-  
18          section (d),” in subsection (c)(4) before “state wheth-  
19          er”; and

20          (5) by adding at the end the following new sub-  
21          section:

22          “(d) *ALTERNATIVE PROCEDURE FOR CHEMICAL*  
23          *CHARACTERISTICS.*—Notwithstanding the requirements of  
24          subsections (b) and (c), a manufacturer shall be deemed to  
25          have demonstrated, for purposes of subsection (a)(1), that

1 *the chemical characteristics of a lot conform to the stand-*  
2 *ards and specifications to which the manufacturer rep-*  
3 *resents such lot has been manufactured if the following re-*  
4 *quirements are met:*

5           “(1) *The coil or heat number of metal from*  
6 *which such lot was fabricated has been inspected and*  
7 *tested with respect to its chemical characteristics by*  
8 *a laboratory accredited in accordance with the proce-*  
9 *dures and conditions specified by the Secretary under*  
10 *section 6.*

11           “(2) *Such laboratory has provided to the manu-*  
12 *facturer, either directly or through the metal manu-*  
13 *facturer, a written inspection and testing report,*  
14 *which shall be in a form prescribed by the Secretary*  
15 *by regulation, listing the chemical characteristics of*  
16 *such coil or heat number.*

17           “(3) *The report described in paragraph (2) indi-*  
18 *cates that the chemical characteristics of such coil or*  
19 *heat number conform to those required by the stand-*  
20 *ards and specifications to which the manufacturer*  
21 *represents such lot has been manufactured.*

22           “(4) *The manufacturer demonstrates that such*  
23 *lot has been fabricated from the coil or heat number*  
24 *of metal to which the report described in paragraphs*  
25 *(2) and (3) relates.*

1 *In prescribing the form of report required by subsection (c),*  
2 *the Secretary shall provide for an alternative to the state-*  
3 *ment required by subsection (c)(4), insofar as such state-*  
4 *ment pertains to chemical characteristics, for cases in which*  
5 *a manufacturer elects to use the procedure permitted by this*  
6 *subsection.”.*

7       *(e) SECTION 6 AMENDMENT.—Section 6(a)(1) of the*  
8 *Fastener Quality Act (15 U.S.C. 5405(a)(1)) is amended*  
9 *by striking “Within 180 days after the date of enactment*  
10 *of this Act, the” and inserting “The”.*

11       *(f) SECTION 7 AMENDMENTS.—Section 7 of the Fas-*  
12 *tener Quality Act (15 U.S.C. 5406) is amended—*

13             *(1) by amending subsection (a) to read as fol-*  
14       *lows:*

15       *“(a) DOMESTICALLY PRODUCED FASTENERS.—It shall*  
16 *be unlawful for a manufacturer to sell any shipment of fas-*  
17 *teners covered by this Act which are manufactured in the*  
18 *United States unless the fasteners—*

19             *“(1) have been manufactured according to the re-*  
20       *quirements of the applicable standards and specifica-*  
21       *tions and have been inspected and tested by a labora-*  
22       *tory accredited in accordance with the procedures and*  
23       *conditions specified by the Secretary under section 6;*  
24       *and*

1           “(2) an original laboratory testing report de-  
2           scribed in section 5(c) and a manufacturer’s certifi-  
3           cate of conformance are on file with the manufac-  
4           turer, or under such custody as may be prescribed by  
5           the Secretary, and available for inspection.”;

6           (2) by inserting “label” after “private” the first  
7           place it appears in subsection (c)(2);

8           (3) by inserting “to the same” in subsection  
9           (c)(2) after “in the same manner and”;

10          (4) by striking “certificate” in subsection (d)(1)  
11          and inserting “test report”;

12          (5) by striking subsection (e) and inserting the  
13          following:

14          “(e) COMMINGLING.—It shall be unlawful for any  
15          manufacturer, importer, or private label distributor to com-  
16          mingle like fasteners from different lots in the same con-  
17          tainer; except that such manufacturer, importer, or private  
18          label distributor may commingle like fasteners of the same  
19          type, grade, and dimension from not more than two tested  
20          and certified lots in the same container during repackaging  
21          and plating operations: Provided, that any container which  
22          contains the fasteners from two lots shall be conspicuously  
23          marked with the lot identification numbers of both lots.”;  
24          and

1           (6) *by striking subsection (f) and inserting the*  
2           *following:*

3           “(f) *SUBSEQUENT PURCHASER.*—*If a person who pur-*  
4           *chases fasteners for any purpose so requests either prior to*  
5           *the sale or at the time of sale, the seller shall conspicuously*  
6           *mark the container of the fasteners with the lot number from*  
7           *which such fasteners were taken.”.*

8           (g) *SECTION 9 AMENDMENT.*—*Section 9 of the Fas-*  
9           *tener Quality Act (15 U.S.C. 5408) is amended by adding*  
10          *at the end the following new subsection:*

11          “(d) *ENFORCEMENT.*—*The Secretary may designate*  
12          *officers or employees of the Department of Commerce to con-*  
13          *duct investigations pursuant to this Act. In conducting such*  
14          *investigations, those officers or employees may, to the extent*  
15          *necessary or appropriate to the enforcement of this Act, ex-*  
16          *ercise such authorities as are conferred upon them by other*  
17          *laws of the United States, subject to policies and procedures*  
18          *approved by the Attorney General.”.*

19          (h) *SECTION 10 AMENDMENTS.*—*Section 10 of the Fas-*  
20          *tener Quality Act (15 U.S.C. 5409) is amended—*

21                  (1) *by striking “10 years” in subsections (a) and*  
22                  *(b) and inserting “5 years”; and*

23                  (2) *by striking “any subsequent” in subsection*  
24                  *(b) and inserting “the subsequent”.*

1           (i) *SECTION 13 AMENDMENT.*—Section 13 of the Fas-  
2 *tener Quality Act (15 U.S.C. 5412)* is amended by striking  
3 “*within 180 days after the date of enactment of this Act*”.

4           (j) *SECTION 14 REPEAL.*—Section 14 of the *Fastener*  
5 *Quality Act (15 U.S.C. 5413)* is repealed.

S 1164 RS—2