

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 2544

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IN THE SENATE OF THE UNITED STATES

JULY 15, 1998

Received; read twice and referred to the Committee on Commerce, Science,  
and Transportation

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## AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Technology Transfer  
3 Commercialization Act of 1998”.

4 **SEC. 2. COOPERATIVE RESEARCH AND DEVELOPMENT**  
5 **AGREEMENTS.**

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

13 **SEC. 3. LICENSING FEDERALLY OWNED INVENTIONS.**

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

16 **“§ 209. Licensing federally owned inventions**

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

20 “(1) granting the license is a reasonable and  
21 necessary incentive to—

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

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

1           “(2) the Federal agency finds that the public  
2 will be served by the granting of the license, as indi-  
3 cated by the applicant’s intentions, plans, and ability  
4 to bring the invention to practical application or oth-  
5 erwise promote the invention’s utilization by the  
6 public, and that the proposed scope of exclusivity is  
7 not greater than reasonably necessary to provide the  
8 incentive for bringing the invention to practical utili-  
9 zation, as proposed by the applicant, or otherwise to  
10 promote the invention’s utilization by the public;

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

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

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

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

1 vention or produced through the use of the invention will  
2 be manufactured substantially in the United States.

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

9 “(d) TERMS AND CONDITIONS.—Licenses granted  
10 under this section shall contain such terms and conditions  
11 as the granting agency considers appropriate. Such terms  
12 and conditions shall include provisions—

13 “(1) retaining a nontransferrable, irrevocable,  
14 paid-up license for the Federal agency to practice  
15 the invention or have the invention practiced  
16 throughout the world by or on behalf of the Govern-  
17 ment of the United States;

18 “(2) requiring periodic reporting on utilization  
19 of the invention, and utilization efforts, by the li-  
20 censee, but only to the extent necessary to enable  
21 the Federal agency to determine whether the terms  
22 of the license are being complied with; and

23 “(3) empowering the Federal agency to termi-  
24 nate the license in whole or in part if the agency de-  
25 termines that—

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

10           “(B) the licensee is in breach of an agree-  
11           ment described in subsection (b);

12           “(C) termination is necessary to meet re-  
13           quirements for public use specified by Federal  
14           regulations issued after the date of the license,  
15           and such requirements are not reasonably satis-  
16           fied by the licensee; or

17           “(D) the licensee has been found by a com-  
18           petent authority to have violated the Federal  
19           antitrust laws in connection with its perform-  
20           ance under the license agreement.

21           “(e) PUBLIC NOTICE.—No exclusive or partially ex-  
22           clusive license may be granted under this section unless  
23           public notice of the intention to grant an exclusive or par-  
24           tially exclusive license on a federally owned invention has  
25           been provided in an appropriate manner at least 15 days

1 before the license is granted, and the Federal agency has  
2 considered all comments received in response to that pub-  
3 lic notice. This subsection shall not apply to the licensing  
4 of inventions made under a cooperative research and de-  
5 velopment agreement entered into under section 12 of the  
6 Stevenson-Wydler Technology Innovation Act of 1980 (15  
7 U.S.C. 3710a).

8       “(f) BASIC BUSINESS PLAN.—A Federal agency may  
9 grant a license on a federally owned invention only if the  
10 person requesting the license has supplied to the agency  
11 a basic business plan with development milestones, com-  
12 mercialization milestones, or both.

13       “(g) NONDISCLOSURE OF CERTAIN INFORMATION.—  
14 Any basic business plan, and revisions thereto, submitted  
15 by an applicant for a license, and any report on the utiliza-  
16 tion or utilization efforts of a licensed invention submitted  
17 by a licensee, shall be treated by the Federal agency as  
18 commercial and financial information obtained from a per-  
19 son and not subject to disclosure under section 552 of title  
20 5, United States Code.”.

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

“209. Licensing federally owned inventions.”.

1 **SEC. 4. TECHNICAL AMENDMENTS TO BAYH-DOLE ACT.**

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

4 (1) by amending section 202(e) to read as fol-  
5 lows:

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

11 “(1) license or assign whatever rights it may  
12 acquire in the subject invention from its employee to  
13 the nonprofit organization or small business firm; or

14 “(2) acquire any rights in the subject invention,  
15 but only to the extent the party from whom the  
16 rights are acquired voluntarily enters into the trans-  
17 action.”; and

18 (2) in section 207(a)—

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

22 (B) by inserting “, including acquiring  
23 rights for the Federal Government in any in-  
24 vention, but only to the extent the party from  
25 whom the rights are acquired voluntarily enters  
26 into the transaction, to facilitate the licensing

1 of a federally owned invention” after “or  
2 through contract” in paragraph (3).

3 **SEC. 5. TECHNICAL AMENDMENTS TO THE STEVENSON-**  
4 **WYDLER TECHNOLOGY INNOVATION ACT OF**  
5 **1980.**

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

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

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

16 **SEC. 6. 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 relevant Fed-  
20 eral agencies, national laboratories, and any other person  
21 the Director considers appropriate, shall review the gen-  
22 eral policies and procedures used by Federal agencies to  
23 gather and consider the views of other agencies on—

24 (1) joint work statements under section  
25 12(c)(5)(C) or (D) of the Stevenson-Wydler Tech-

1 nology Innovation Act of 1980 (15 U.S.C.  
2 3710a(e)(5)(C) or (D)); or

3 (2) in the case of laboratories described in sec-  
4 tion 12(d)(2)(A) of the Stevenson-Wydler Tech-  
5 nology Innovation Act of 1980 (15 U.S.C.  
6 3710a(d)(2)(A)), cooperative research and develop-  
7 ment agreements under such section 12,  
8 with respect to major proposed cooperative research and  
9 development agreements that involve critical national se-  
10 curity technology or may have a significant impact on do-  
11 mestic or international competitiveness.

12 (b) PROCEDURES.—Within one year after the date of  
13 the enactment of this Act, the Director of the Office of  
14 Science and Technology Policy, in consultation with rel-  
15 evant Federal agencies and national laboratories, shall—

16 (1) determine the adequacy of existing proce-  
17 dures and methods for interagency coordination and  
18 awareness; and

19 (2) establish and distribute to appropriate Fed-  
20 eral agencies—

21 (A) specific criteria to indicate the neces-  
22 sity for gathering and considering the views of  
23 other agencies on joint work statements or co-  
24 operative research and development agreements  
25 as described in subsection (a); and

1 (B) additional procedures, if any, for car-  
2 rying out such gathering and considering of  
3 agency views.

4 Procedures established under this subsection shall be de-  
5 signed to the extent possible to use or modify existing pro-  
6 cedures, to minimize burdens on Federal agencies, to en-  
7 courage industrial partnerships with national laboratories,  
8 and to minimize delay in the approval or disapproval of  
9 joint work statements and cooperative research and devel-  
10 opment agreements.

Passed the House of Representatives July 14, 1998.

Attest:

ROBIN H. CARLE,

*Clerk.*