

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

# H. R. 4859

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

---

## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 20, 1998

Mrs. MORELLA (for herself and Mr. BROWN of California) introduced the following bill; which was referred to the Committee on Science, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

## 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”.

6        **SEC. 2. COOPERATIVE RESEARCH AND DEVELOPMENT**  
7        **AGREEMENTS.**

8        Section 12(b)(1) of the Stevenson-Wydler Technology  
9        Innovation Act of 1980 (15 U.S.C. 3710a(b)(1)) is

1 amended by inserting “or, subject to section 209 of title  
2 35, United States Code, may grant a license to an inven-  
3 tion which is federally owned, for which a patent applica-  
4 tion was filed before the granting of the license, and di-  
5 rectly within the scope of the work under the agreement,”  
6 after “under the agreement,”.

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

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

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

11 “(a) AUTHORITY.—A Federal agency may grant an  
12 exclusive or partially exclusive license on a federally owned  
13 invention under section 207(a)(2) only if—

14 “(1) granting the license is a reasonable and  
15 necessary incentive to—

16 “(A) call forth the investment capital and  
17 expenditures needed to bring the invention to  
18 practical application; or

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

21 “(2) the Federal agency finds that the public  
22 will be served by the granting of the license, as indi-  
23 cated by the applicant’s intentions, plans, and ability  
24 to bring the invention to practical application or oth-  
25 erwise promote the invention’s utilization by the

1 public, and that the proposed scope of exclusivity is  
2 not greater than reasonably necessary to provide the  
3 incentive for bringing the invention to practical utili-  
4 zation, as proposed by the applicant, or otherwise to  
5 promote the invention's utilization by the public;

6 “(3) the applicant makes a commitment to  
7 achieve practical utilization of the invention within a  
8 reasonable time, which time may be extended by the  
9 agency upon the applicant's request and the appli-  
10 cant's demonstration that the refusal of such exten-  
11 sion would be unreasonable;

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 a license under section  
21 207(a)(2) to use or sell any federally owned invention in  
22 the United States only to a licensee who agrees that any  
23 products embodying the invention or produced through the  
24 use of the invention will be manufactured substantially in  
25 the United States.

1       “(c) SMALL BUSINESS.—First preference for the  
2 granting of any exclusive or partially exclusive licenses  
3 under section 207(a)(2) shall be given to small business  
4 firms having equal or greater likelihood as other appli-  
5 cants to bring the invention to practical application within  
6 a reasonable time.

7       “(d) TERMS AND CONDITIONS.—Any licenses grant-  
8 ed under section 207(a)(2) shall contain such terms and  
9 conditions as the granting agency considers appropriate.  
10 Such terms and conditions shall include provisions—

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

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

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

24                       “(A) the licensee is not executing its com-  
25 mitment to achieve practical utilization of the

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

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

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

15 “(D) the licensee has been found by a  
16 court of competent jurisdiction to have violated  
17 the Federal antitrust laws in connection with  
18 its performance under the license agreement.

19 “(e) PUBLIC NOTICE.—No exclusive or partially ex-  
20 clusive license may be granted under section 207(a)(2) un-  
21 less public notice of the intention to grant an exclusive  
22 or partially exclusive license on a federally owned invention  
23 has been provided in an appropriate manner at least 15  
24 days before the license is granted, and the Federal agency  
25 has considered all comments received before the end of

1 the comment period in response to that public notice. This  
2 subsection shall not apply to the licensing of inventions  
3 made under a cooperative research and development  
4 agreement entered into under section 12 of the Stevenson-  
5 Wydler Technology Innovation Act of 1980 (15 U.S.C.  
6 3710a).

7 “(f) PLAN.—No Federal agency shall grant any li-  
8 cense under a patent or patent application on a federally  
9 owned invention unless the person requesting the license  
10 has supplied the agency with a plan for development and/  
11 or marketing of the invention, except that any such plan  
12 may be treated by the Federal agency as commercial and  
13 financial information obtained from a person and privi-  
14 leged and confidential and not subject to disclosure under  
15 section 552 of title 5 of the United States Code.”.

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

“209. Licensing federally owned inventions.”.

20 **SEC. 4. 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 with a nonprofit organiza-  
3 tion or small business firm, the Federal agency employing  
4 such coinventor may, for the purpose of consolidating  
5 rights in the invention and if it finds that it would expedite  
6 the development of the invention—

7               “(1) license or assign whatever rights it may  
8 acquire in the subject invention to the nonprofit or-  
9 ganization or small business firm in accordance with  
10 the provisions of this chapter; or

11               “(2) acquire any rights in the subject invention  
12 from the nonprofit organization or small business  
13 firm, but only to the extent the party from whom  
14 the rights are acquired voluntarily enters into the  
15 transaction and no other transaction under this  
16 chapter is conditioned on such acquisition.”; and

17               (2) in section 207(a)—

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

21                       (B) by inserting “, including acquiring  
22 rights for the Federal Government in any in-  
23 vention, but only to the extent the party from  
24 whom the rights are acquired voluntarily enters  
25 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 The Stevenson-Wydler Technology Innovation Act of  
7 1980 is amended—

8 (1) in section 4(4) (15 U.S.C. 3703(4)), by  
9 striking “section 6 or section 8” and inserting “sec-  
10 tion 7 or 9”;

11 (2) in section 4(6) (15 U.S.C. 3703(6)), by  
12 striking “section 6 or section 8” and inserting “sec-  
13 tion 7 or 9”;

14 (3) in section 5(c)(11) (15 U.S.C. 3704(c)(11)),  
15 by striking “State of local governments” and insert-  
16 ing “State or local governments”;

17 (4) in section 9 (15 U.S.C. 3707), by—

18 (A) striking “section 6(a)” and inserting  
19 “section 7(a)”;

20 (B) striking “section 6(b)” and inserting  
21 “section 7(b)”;

22 (C) striking “section 6(c)(3)” and insert-  
23 ing “section 7(c)(3)”;

24 (5) in section 11(e)(1) (15 U.S.C. 3710(e)(1)),  
25 by striking “in cooperation with Federal Labora-

1       tories” and inserting “in cooperation with Federal  
2       laboratories”;

3               (6) in section 11(i) (15 U.S.C. 3710(i)), by  
4       striking “a gift under the section” and inserting “a  
5       gift under this section”;

6               (7) in section 14 (15 U.S.C. 3710c)—

7                       (A) in subsection (a)(1)(A)(i), by inserting  
8       “, if the inventor’s or coinventor’s rights are as-  
9       signed to the United States” after “inventor or  
10      coinventors”;

11                      (B) in subsection (a)(1)(B), by striking  
12      “succeeding fiscal year” and inserting “2 suc-  
13      ceeding fiscal years”; and

14                      (C) in subsection (b)(2), by striking  
15      “inventon” and inserting “invention”; and

16               (8) in section 22 (15 U.S.C. 3714), by striking  
17      “sections 11, 12, and 13” and inserting “sections  
18      12, 13, and 14”.

19   **SEC. 6. REVIEW OF COOPERATIVE RESEARCH AND DEVEL-**  
20                                   **OPMENT AGREEMENT PROCEDURES.**

21               (a) REVIEW.—Within 90 days after the date of the  
22      enactment of this Act, each Federal agency with a feder-  
23      ally funded laboratory that has in effect on that date of  
24      enactment one or more cooperative research and develop-  
25      ment agreements under section 12 of the Stevenson-

1 Wydler Technology Innovation Act of 1980 (15 U.S.C.  
2 3710a) shall report to the Committee on National Security  
3 of the National Science and Technology Council and the  
4 Congress on the general policies and procedures used by  
5 that agency to gather and consider the views of other  
6 agencies on—

7           (1) joint work statements under section  
8       12(c)(5) (C) or (D) of the Stevenson-Wydler Tech-  
9       nology Innovation Act of 1980 (15 U.S.C.  
10       3710a(c)(5)(C) or (D)); or

11           (2) in the case of laboratories described in sec-  
12       tion 12(d)(2)(A) of the Stevenson-Wydler Tech-  
13       nology Innovation Act of 1980 (15 U.S.C.  
14       3710a(d)(2)(A)), cooperative research and develop-  
15       ment agreements under such section 12,

16 with respect to major proposed cooperative research and  
17 development agreements that involve critical national se-  
18 curity technology or may have a significant impact on do-  
19 mestic or international competitiveness.

20       (b) PROCEDURES.—Within one year after the date of  
21 the enactment of this Act, the Committee on National Se-  
22 curity of the National Science and Technology Council, in  
23 conjunction with relevant Federal agencies and national  
24 laboratories, shall—

1           (1) determine the adequacy of existing proce-  
2           dures and methods for interagency coordination and  
3           awareness with respect to cooperative research and  
4           development agreements described in subsection (a);  
5           and

6           (2) establish and distribute to appropriate Fed-  
7           eral agencies—

8                   (A) specific criteria to indicate the neces-  
9                   sity for gathering and considering the views of  
10                  other agencies on joint work statements or co-  
11                  operative research and development agreements  
12                  as described in subsection (a); and

13                  (B) additional procedures, if any, for car-  
14                  rying out such gathering and considering of  
15                  agency views with respect to cooperative re-  
16                  search and development agreements described  
17                  in subsection (a).

18 Procedures established under this subsection shall be de-  
19 signed to the extent possible to use or modify existing pro-  
20 cedures, to minimize burdens on Federal agencies, to en-  
21 courage industrial partnerships with national laboratories,  
22 and to minimize delay in the approval or disapproval of  
23 joint work statements and cooperative research and devel-  
24 opment agreements.

1           (c) LIMITATION.—Nothing in this Act, nor any proce-  
2           dures established under this section shall provide to the  
3           Office of Science and Technology Policy, the National  
4           Science and Technology Council, or any Federal agency  
5           the authority to disapprove a cooperative research and de-  
6           velopment agreement or joint work statement, under sec-  
7           tion 12 of the Stevenson-Wydler Technology Innovation  
8           Act of 1980 (15 U.S.C. 3710a), of another Federal agen-  
9           cy.

10   **SEC. 7. INCREASED FLEXIBILITY FOR FEDERAL LABORA-**  
11                                   **TORY PARTNERSHIP INTERMEDIARIES.**

12           Section 23 of the Stevenson-Wydler Technology Inno-  
13           vation Act of 1980 (15 U.S.C. 3715) is amended—

14                   (1) in subsection (a)(1) by inserting “, institu-  
15                   tions of higher education as defined in section  
16                   1201(a) of the Higher Education Act of 1965 (20  
17                   U.S.C. 1141(a)), or educational institutions within  
18                   the meaning of section 2194 of title 10, United  
19                   States Code” after “small business firms”; and

20                   (2) in subsection (e) by inserting “, institutions  
21                   of higher education as defined in section 1201(a) of  
22                   the Higher Education Act of 1965 (20 U.S.C.  
23                   1141(a)), or educational institutions within the  
24                   meaning of section 2194 of title 10, United States  
25                   Code,” after “small business firms”.

1 **SEC. 8. STUDY AND REPORT ON BIOLOGICAL DEPOSITS IN**  
2 **SUPPORT OF BIOTECHNOLOGY PATENTS.**

3 (a) IN GENERAL.—Not later than 6 months after the  
4 date of the enactment of this Act, the General Accounting  
5 Office, in consultation with the United States Patent and  
6 Trademark Office, shall conduct a study and submit a re-  
7 port to Congress on the potential risks to the United  
8 States biotechnology industry relating to biological depos-  
9 its in support of biotechnology patents.

10 (b) CONTENTS.—The study conducted under this sec-  
11 tion shall include—

12 (1) an examination of the risk of export and the  
13 risk of third-party transfer of biological deposits,  
14 and the risks posed by the change to 18-month pub-  
15 lication requirements;

16 (2) an analysis of comparative legal and regu-  
17 latory regimes; and

18 (3) any related recommendations.

19 (c) CONSIDERATION OF REPORT.—In drafting regu-  
20 lations affecting biological deposits (including any modi-  
21 fication of 37 Code of Federal Regulations 1.801 et seq.),  
22 the United States Patent and Trademark Office shall con-  
23 sider the recommendations of the study conducted under  
24 this section.

1 **SEC. 9. PROVISIONAL APPLICATIONS.**

2 (a) ABANDONMENT.—Section 111(b)(5) of title 35,  
3 United States Code, is amended to read as follows:

4 “(5) ABANDONMENT.—Notwithstanding the ab-  
5 sence of a claim, upon timely request and as pre-  
6 scribed by the Commissioner, a provisional applica-  
7 tion may be treated as an application filed under  
8 subsection (a). Subject to section 119(e)(3) of this  
9 title, if no such request is made, the provisional ap-  
10 plication shall be regarded as abandoned 12 months  
11 after the filing date of such application and shall not  
12 be subject to revival thereafter.”.

13 (b) TECHNICAL AMENDMENT RELATING TO WEEK-  
14 ENDS AND HOLIDAYS.—Section 119(e) of title 35, United  
15 States Code, is amended by adding at the end the follow-  
16 ing:

17 “(3) If the day that is 12 months after the filing date  
18 of a provisional application falls on a Saturday, Sunday,  
19 or Federal holiday within the District of Columbia, the  
20 period of pendency of the provisional application shall be  
21 extended to the next succeeding secular or business day.”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to a provisional application filed  
24 on or after June 8, 1995.

○