

105TH CONGRESS  
2D SESSION

# S. 2120

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

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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

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## 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  
10 amended by inserting “or, subject to section 209 of title

1 35, United States Code, may grant a license to an inven-  
2 tion which is Federally owned, made before the signing  
3 of the agreement, and directly related to the scope of the  
4 work under the agreement,” after “under the agree-  
5 ment,”.

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

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

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

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

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

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

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

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

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

5 “(3) the applicant makes a commitment to  
6 achieve practical utilization of the invention within a  
7 reasonable time;

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

11 “(5) in the case of an invention covered by a  
12 foreign patent application or patent, the interests of  
13 the Federal Government or United States industry  
14 in foreign commerce will be enhanced.

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

21 “(c) SMALL BUSINESS.—First preference for the  
22 granting of any exclusively or partially exclusive licenses  
23 under this section shall be given to small business firms  
24 having equal or greater likelihood as other applicants to

1 bring the invention to practical application within a rea-  
2 sonable time.

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

7 “(1) shall include provisions—

8 “(A) retaining a nontransferable, irrev-  
9 ovable, paid-up license for the Federal agency  
10 to practice the invention or have the invention  
11 practiced throughout the world by or on behalf  
12 of the Government of the United States.

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

19 “(C) empowering the Federal agency to  
20 terminate the license in whole or in part if the  
21 agency determines that—

22 “(i) the licensee is not executing its  
23 commitment to achieve practical utilization  
24 of the invention, including commitments  
25 contained in any plan submitted in support

1 of its request for a license, and the licensee  
2 cannot otherwise demonstrate to the satis-  
3 faction of the Federal agency that it has  
4 taken, or can be expected to take within  
5 a reasonable time, effective steps to achieve  
6 practical utilization of the invention;

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

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

14 “(iv) the licensee has been found by a  
15 competent authority to have violated the  
16 Federal antitrust laws in connection with  
17 its performance under the license agree-  
18 ment.

19 “(e) PUBLIC NOTICE.—No exclusive or partially ex-  
20 clusive license may be granted under this section unless  
21 public notice of the intent to grant such a license has been  
22 provided at least 30 days before the license is granted,  
23 and the Federal agency has considered all comments re-  
24 ceived in response to that public notice.

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

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

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

20               “(2) as to the applicant’s capability and inten-  
21 tion to fulfill the plan, including information regard-  
22 ing manufacturing, marketing, financial, and tech-  
23 nical resources;

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

1 “(4) of the geographic areas—

2 “(A) in which the applicant intends to  
3 manufacture any product embodying the inven-  
4 tion;

5 “(B) where the applicant intends to use or  
6 sell the invention; or

7 “(C) both.”.

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

“209. Licensing federally owned inventions.”.

12 **SEC. 4. REVIEW OF COOPERATIVE RESEARCH AND DEVEL-**  
13 **OPMENT AGREEMENT PROCEDURES.**

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

21 (1) a joint work statement under section  
22 12(c)(5)(C) or (D) of the Stevenson-Wydler Tech-  
23 nology Innovation Act of 1980 (15 U.S.C.  
24 3710a(c)(5)(C) or (D)); or

1           (2) in the case of a laboratory described in sec-  
2           tion 12(d)(2)(A) of the Stevenson-Wydler Tech-  
3           nology Innovation Act of 1980 (15 U.S.C.  
4           3710a(d)(2)(A)), a cooperative research and develop-  
5           ment agreement under such section 12, that involves  
6           national security, or relates to a project which may  
7           have a significant impact on domestic or inter-  
8           national competitiveness.

9           (b) PROCEDURES.—Within 1 year after the date of  
10          enactment of this Act, the Director of the Office of Science  
11          and Technology Policy shall establish and distribute to ap-  
12          propriate Federal agencies—

13               (1) specific criteria to indicate the necessity for  
14               interagency review of an approval or disapproval de-  
15               scribed in subsection (a); and

16               (2) procedures for carrying out such inter-  
17               agency review.

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, and to  
21          minimize delay in the approval or disapproval of the joint  
22          work statement or cooperative research and development  
23          agreement under interagency review.

1 **SEC. 5. 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 to the nonprofit or-  
13 ganization or small business firm; or

14 “(2) acquire any rights in the subject invention  
15 from the nonprofit organization or small business  
16 firm, but only to the extent the party from whom  
17 the rights are acquired voluntarily enters into the  
18 transaction.”; and

19 (2) in section 207(a)—

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

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

1           into the transaction, to facilitate the licensing  
2           of a federally owned invention” after “or  
3           through contract” in paragraph (3).

4 **SEC. 6. TECHNICAL AMENDMENTS TO THE STEVENSON-**  
5                           **WYDLER TECHNOLOGY INNOVATION ACT OF**  
6                           **1980.**

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

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

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

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