

Union Calendar No. 70

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

**H. R. 209**

[Report No. 106-129, Part I]

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**A BILL**

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

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MAY 6, 1999

Reported from the Committee on Science with an  
amendment

MAY 6, 1999

Referral to the Committee on the Judiciary extended for  
a period not later than May 6, 1999

MAY 6, 1999

The Committee on the Judiciary discharged; committed  
to the Committee of the Whole House on the State of  
the Union and ordered to be printed

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### IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1999

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

MAY 6, 1999

Reported from the Committee on Science with an amendment  
[Strike out all after the enacting clause and insert the part printed in *italic*]

MAY 6, 1999

Referral to the Committee on the Judiciary extended for a period not later than May 6, 1999

MAY 6, 1999

The Committee on the Judiciary discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed

[For text of introduced bill, see copy of bill as introduced on January 6, 1999]

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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 1999”.*

6 **SEC. 2. FINDINGS.**

7        *The Congress finds that—*

8            (1) *the importance of linking our unparalleled*  
9 *network of over 700 Federal laboratories and our Na-*  
10 *tion’s universities with United States industry con-*  
11 *tinues to hold great promise for our future economic*  
12 *prosperity;*

13            (2) *the enactment of the Bayh-Dole Act in 1980*  
14 *was a landmark change in United States technology*  
15 *policy, and its success provides a framework for re-*  
16 *moving bureaucratic barriers and for simplifying the*  
17 *granting of licenses for inventions that are now in the*  
18 *Federal Government’s patent portfolio;*

19            (3) *Congress has demonstrated a commitment*  
20 *over the past 2 decades to fostering technology trans-*  
21 *fer from our Federal laboratories and to promoting*  
22 *public/private sector partnerships to enhance our*  
23 *international competitiveness;*

24            (4) *Federal technology transfer activities have*  
25 *strengthened the ability of United States industry to*

1       *compete in the global marketplace; developed a new*  
2       *paradigm for greater collaboration among the sci-*  
3       *entific enterprises that conduct our Nation’s research*  
4       *and development—government, industry, and univer-*  
5       *sities; and improved the quality of life for the Amer-*  
6       *ican people, from medicine to materials;*

7               *(5) the technology transfer process must be made*  
8       *“industry friendly” for companies to be willing to in-*  
9       *vest the significant time and resources needed to de-*  
10       *velop new products, processes, and jobs using federally*  
11       *funded inventions; and*

12               *(6) Federal technology licensing procedures*  
13       *should balance the public policy needs of adequately*  
14       *protecting the rights of the public, encouraging com-*  
15       *panies to develop existing government inventions, and*  
16       *making the entire system of developing government*  
17       *technologies more consistent and simple.*

18       **SEC. 3. COOPERATIVE RESEARCH AND DEVELOPMENT**

19               **AGREEMENTS.**

20       *Section 12(b)(1) of the Stevenson-Wydler Technology*  
21       *Innovation Act of 1980 (15 U.S.C. 3710a(b)(1)) is amended*  
22       *by inserting “or, subject to section 209 of title 35, United*  
23       *States Code, may grant a license to an invention which is*  
24       *federally owned, for which a patent application was filed*  
25       *before the signing of the agreement, and directly within the*

1 *scope of the work under the agreement,” after “under the*  
2 *agreement,”.*

3 **SEC. 4. LICENSING FEDERALLY OWNED INVENTIONS.**

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

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

7 *“(a) AUTHORITY.—A Federal agency may grant an*  
8 *exclusive or partially exclusive license on a federally owned*  
9 *invention under section 207(a)(2) only if—*

10 *“(1) granting the license is a reasonable and nec-*  
11 *essary incentive to—*

12 *“(A) call forth the investment capital and*  
13 *expenditures needed to bring the invention to*  
14 *practical application; or*

15 *“(B) otherwise promote the invention’s uti-*  
16 *lization by the public;*

17 *“(2) the Federal agency finds that the public will*  
18 *be served by the granting of the license, as indicated*  
19 *by the applicant’s intentions, plans, and ability to*  
20 *bring the invention to practical application or other-*  
21 *wise promote the invention’s utilization by the public,*  
22 *and that the proposed scope of exclusivity is not*  
23 *greater than reasonably necessary to provide the in-*  
24 *centive for bringing the invention to practical utiliza-*

1        *tion, as proposed by the applicant, or otherwise to*  
2        *promote the invention’s utilization by the public;*

3            *“(3) the applicant makes a commitment to*  
4        *achieve practical utilization of the invention within a*  
5        *reasonable time, which time may be extended by the*  
6        *agency upon the applicant’s request and the appli-*  
7        *cant’s demonstration that the refusal of such extension*  
8        *would be unreasonable;*

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

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

16           *“(b) MANUFACTURE IN UNITED STATES.—A Federal*  
17       *agency shall normally grant a license under section*  
18       *207(a)(2) to use or sell any federally owned invention in*  
19       *the United States only to a licensee who agrees that any*  
20       *products embodying the invention or produced through the*  
21       *use of the invention will be manufactured substantially in*  
22       *the United States.*

23           *“(c) SMALL BUSINESS.—First preference for the grant-*  
24       *ing of any exclusive or partially exclusive licenses under*  
25       *section 207(a)(2) shall be given to small business firms hav-*

1 *ing equal or greater likelihood as other applicants to bring*  
2 *the invention to practical application within a reasonable*  
3 *time.*

4       “(d) *TERMS AND CONDITIONS.—Any licenses granted*  
5 *under section 207(a)(2) shall contain such terms and condi-*  
6 *tions as the granting agency considers appropriate, and*  
7 *shall include provisions—*

8               “(1) *retaining a nontransferrable, irrevocable,*  
9 *paid-up license for any Federal agency to practice the*  
10 *invention or have the invention practiced throughout*  
11 *the world by or on behalf of the Government of the*  
12 *United States;*

13               “(2) *requiring periodic reporting on utilization*  
14 *of the invention, and utilization efforts, by the li-*  
15 *cencee, but only to the extent necessary to enable the*  
16 *Federal agency to determine whether the terms of the*  
17 *license are being complied with, except that any such*  
18 *report shall be treated by the Federal agency as com-*  
19 *mercial and financial information obtained from a*  
20 *person and privileged and confidential and not sub-*  
21 *ject to disclosure under section 552 of title 5 of the*  
22 *United States Code; and*

23               “(3) *empowering the Federal agency to terminate*  
24 *the license in whole or in part if the agency deter-*  
25 *mines 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 dem-  
6           onstrate to the satisfaction of the Federal agency  
7           that it has taken, or can be expected to take  
8           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 court  
18           of competent jurisdiction to have violated the  
19           Federal antitrust laws in connection with its  
20           performance under the license agreement.

21           “(e) *PUBLIC NOTICE*.—No exclusive or partially exclu-  
22           sive license may be granted under section 207(a)(2) 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 before the end of the com-  
3 ment period in response to that public notice. This sub-  
4 section shall not apply to the licensing of inventions made  
5 under a cooperative research and development agreement  
6 entered into under section 12 of the Stevenson-Wydler Tech-  
7 nology Innovation Act of 1980 (15 U.S.C. 3710a).

8       “(f) *PLAN*.—No Federal agency shall grant any license  
9 under a patent or patent application on a federally owned  
10 invention unless the person requesting the license has sup-  
11 plied the agency with a plan for development or marketing  
12 of the invention, except that any such plan shall be treated  
13 by the Federal agency as commercial and financial infor-  
14 mation obtained from a person and privileged and con-  
15 fidential and not subject to disclosure under section 552 of  
16 title 5 of the United States Code.”.

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

“209. *Licensing federally owned inventions*.”.

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

8               “(1) license or assign whatever rights it may ac-  
9 quire in the subject invention to the nonprofit organi-  
10 zation, small business firm, or non-Federal inventor  
11 in accordance with the provisions of this chapter; or

12               “(2) acquire any rights in the subject invention  
13 from the nonprofit organization, small business firm,  
14 or non-Federal inventor, but only to the extent the  
15 party from whom the rights are acquired voluntarily  
16 enters into the transaction and no other transaction  
17 under this chapter is conditioned on such acquisi-  
18 tion.”; 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 and administering royalties to the  
25 Federal Government in any invention, but only

1           to the extent the party from whom the rights are  
2           acquired voluntarily enters into the transaction,  
3           to facilitate the licensing of a federally owned in-  
4           vention” after “or through contract” in para-  
5           graph (3).

6 **SEC. 6. TECHNICAL AMENDMENTS TO THE STEVENSON-**  
7                                   **WYDLER TECHNOLOGY INNOVATION ACT OF**  
8                                   **1980.**

9           *The Stevenson-Wydler Technology Innovation Act of*  
10 *1980 is amended—*

11                   (1) *in section 4(4) (15 U.S.C. 3703(4)), by strik-*  
12 *ing “section 6 or section 8” and inserting “section 7*  
13 *or 9”;*

14                   (2) *in section 4(6) (15 U.S.C. 3703(6)), by strik-*  
15 *ing “section 6 or section 8” and inserting “section 7*  
16 *or 9”;*

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

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

21                                   (A) *striking “section 6(a)” and inserting*  
22 *“section 7(a)”;*

23                                   (B) *striking “section 6(b)” and inserting*  
24 *“section 7(b)”;* and

1           (C) striking “section 6(c)(3)” and inserting  
2           “section 7(c)(3)”;

3           (5) in section 11(e)(1) (15 U.S.C. 3710(e)(1)), by  
4           striking “in cooperation with Federal Laboratories”  
5           and inserting “in cooperation with Federal labora-  
6           tories”;

7           (6) in section 11(i) (15 U.S.C. 3710(i)), by strik-  
8           ing “a gift under the section” and inserting “a gift  
9           under this section”;

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

11           (A) in subsection (a)(1)(A)(i), by inserting  
12           “, other than payments of patent costs as delin-  
13           eated by a license or assignment agreement,”  
14           after “or other payments”;

15           (B) in subsection (a)(1)(A)(i), by inserting  
16           “, if the inventor’s or coinventor’s rights are as-  
17           signed to the United States” after “inventor or  
18           coinventors”;

19           (C) in subsection (a)(1)(B), by striking  
20           “succeeding fiscal year” and inserting “2 suc-  
21           ceeding fiscal years”;

22           (D) in subsection (a)(2), by striking “Gov-  
23           ernment-operated”; and

24           (E) in subsection (b)(2), by striking  
25           “inventon” and inserting “invention”; and

1           (8) *in section 22 (15 U.S.C. 3714), by striking*  
2           “*sections 11, 12, and 13*” *and inserting “sections 12,*  
3           *13, and 14”.*

4 **SEC. 7. REVIEW OF COOPERATIVE RESEARCH AND DEVEL-**  
5 **OPMENT AGREEMENT PROCEDURES.**

6           (a) *REVIEW.*—*Within 90 days after the date of the en-*  
7 *actment of this Act, each Federal agency with a federally*  
8 *funded laboratory that has in effect on that date of enact-*  
9 *ment one or more cooperative research and development*  
10 *agreements under section 12 of the Stevenson-Wydler Tech-*  
11 *nology Innovation Act of 1980 (15 U.S.C. 3710a) shall re-*  
12 *port to the Committee on National Security of the National*  
13 *Science and Technology Council and the Congress on the*  
14 *general policies and procedures used by that agency to gath-*  
15 *er and consider the views of other agencies on—*

16           (1) *joint work statements under section 12(c)(5)*  
17           *(C) or (D) of the Stevenson-Wydler Technology Inno-*  
18           *vation Act of 1980 (15 U.S.C. 3710a(c)(5)(C) or (D));*  
19           *or*

20           (2) *in the case of laboratories described in sec-*  
21           *tion 12(d)(2)(A) of the Stevenson-Wydler Technology*  
22           *Innovation Act of 1980 (15 U.S.C. 3710a(d)(2)(A)),*  
23           *cooperative research and development agreements*  
24           *under such section 12,*

1 *with respect to major proposed cooperative research and de-*  
2 *velopment agreements that involve critical national security*  
3 *technology or may have a significant impact on domestic*  
4 *or international competitiveness.*

5 (b) *PROCEDURES.*—*Within one year after the date of*  
6 *the enactment of this Act, the Committee on National Secu-*  
7 *rity of the National Science and Technology Council, in*  
8 *conjunction with relevant Federal agencies and national*  
9 *laboratories, shall—*

10 (1) *determine the adequacy of existing proce-*  
11 *dures and methods for interagency coordination and*  
12 *awareness with respect to cooperative research and de-*  
13 *velopment agreements described in subsection (a); and*

14 (2) *establish and distribute to appropriate Fed-*  
15 *eral agencies—*

16 (A) *specific criteria to indicate the necessity*  
17 *for gathering and considering the views of other*  
18 *agencies on joint work statements or cooperative*  
19 *research and development agreements as de-*  
20 *scribed in subsection (a); and*

21 (B) *additional procedures, if any, for car-*  
22 *rying out such gathering and considering of*  
23 *agency views with respect to cooperative research*  
24 *and development agreements described in sub-*  
25 *section (a).*

1 *Procedures established under this subsection shall be de-*  
2 *signed to the extent possible to use or modify existing proce-*  
3 *dures, to minimize burdens on Federal agencies, to encour-*  
4 *age industrial partnerships with national laboratories, and*  
5 *to minimize delay in the approval or disapproval of joint*  
6 *work statements and cooperative research and development*  
7 *agreements.*

8       (c) *LIMITATION.*—*Nothing in this Act, nor any proce-*  
9 *dures established under this section shall provide to the Of-*  
10 *fice of Science and Technology Policy, the National Science*  
11 *and Technology Council, or any Federal agency the author-*  
12 *ity to disapprove a cooperative research and development*  
13 *agreement or joint work statement, under section 12 of the*  
14 *Stevenson-Wydler Technology Innovation Act of 1980 (15*  
15 *U.S.C. 3710a), of another Federal agency.*

16 **SEC. 8. INCREASED FLEXIBILITY FOR FEDERAL LABORA-**  
17 **TORY PARTNERSHIP INTERMEDIARIES.**

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

20           (1) *in subsection (a)(1) by inserting “, institu-*  
21 *tions of higher education as defined in section*  
22 *1201(a) of the Higher Education Act of 1965 (20*  
23 *U.S.C. 1141(a)), or educational institutions within*  
24 *the meaning of section 2194 of title 10, United States*  
25 *Code” after “small business firms”; and*

1           (2) *in subsection (c) by inserting “, institutions*  
2 *of higher education as defined in section 1201(a) of*  
3 *the Higher Education Act of 1965 (20 U.S.C.*  
4 *1141(a)), or educational institutions within the*  
5 *meaning of section 2194 of title 10, United States*  
6 *Code,” after “small business firms”.*