

106TH CONGRESS
1ST SESSION

H. R. 209

IN THE SENATE OF THE UNITED STATES

MAY 12, 1999

Received

SEPTEMBER 29, 1999

Read twice and referred to the Committee on Commerce, Science, and
Transportation

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 1999”.

4 **SEC. 2. FINDINGS.**

5 The Congress finds that—

6 (1) the importance of linking our unparalleled
7 network of over 700 Federal laboratories and our
8 Nation’s universities with United States industry
9 continues to hold great promise for our future eco-
10 nomic prosperity;

11 (2) the enactment of the Bayh-Dole Act in
12 1980 was a landmark change in United States tech-
13 nology policy, and its success provides a framework
14 for removing bureaucratic barriers and for simpli-
15 fying the granting of licenses for inventions that are
16 now in the Federal Government’s patent portfolio;

17 (3) Congress has demonstrated a commitment
18 over the past 2 decades to fostering technology
19 transfer from our Federal laboratories and to pro-
20 moting public/private sector partnerships to enhance
21 our international competitiveness;

22 (4) Federal technology transfer activities have
23 strengthened the ability of United States industry to
24 compete in the global marketplace; developed a new
25 paradigm for greater collaboration among the sci-
26 entific enterprises that conduct our Nation’s re-

1 search and development—government, industry, and
2 universities; and improved the quality of life for the
3 American people, from medicine to materials;

4 (5) the technology transfer process must be
5 made “industry friendly” for companies to be willing
6 to invest the significant time and resources needed
7 to develop new products, processes, and jobs using
8 federally funded inventions; and

9 (6) Federal technology licensing procedures
10 should balance the public policy needs of adequately
11 protecting the rights of the public, encouraging com-
12 panies to develop existing government inventions,
13 and making the entire system of licensing govern-
14 ment technologies more consistent and simple.

15 **SEC. 3. COOPERATIVE RESEARCH AND DEVELOPMENT**
16 **AGREEMENTS.**

17 Section 12(b)(1) of the Stevenson-Wydler Technology
18 Innovation Act of 1980 (15 U.S.C. 3710a(b)(1)) is
19 amended by inserting “or, subject to section 209 of title
20 35, United States Code, may grant a license to an inven-
21 tion which is federally owned, for which a patent applica-
22 tion was filed before the signing of the agreement, and
23 directly within the scope of the work under the agree-
24 ment,” after “under the agreement,”.

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

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

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

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

8 “(1) granting the license is a reasonable and
9 necessary incentive to—

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

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

15 “(2) the Federal agency finds that the public
16 will be served by the granting of the license, as indi-
17 cated by the applicant’s intentions, plans, and ability
18 to bring the invention to practical application or oth-
19 erwise promote the invention’s utilization by the
20 public, and that the proposed scope of exclusivity is
21 not greater than reasonably necessary to provide the
22 incentive for bringing the invention to practical ap-
23 plication, as proposed by the applicant, or otherwise
24 to promote the invention’s utilization by the public;

25 “(3) the applicant makes a commitment to
26 achieve practical application of the invention within

1 a reasonable time, which time may be extended by
2 the agency upon the applicant's request and the ap-
3 plicant's demonstration that the refusal of such ex-
4 tension would be unreasonable;

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

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

12 “(b) MANUFACTURE IN UNITED STATES.—A Federal
13 agency shall normally grant a license under section
14 207(a)(2) to use or sell any federally owned invention in
15 the United States only to a licensee who agrees that any
16 products embodying the invention or produced through the
17 use of the invention will be manufactured substantially in
18 the United States.

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

1 “(d) TERMS AND CONDITIONS.—Any licenses grant-
2 ed under section 207(a)(2) shall contain such terms and
3 conditions as the granting agency considers appropriate,
4 and shall include provisions—

5 “(1) retaining a nontransferrable, irrevocable,
6 paid-up license for any Federal agency to practice
7 the invention or have the invention practiced
8 throughout the world by or on behalf of the Govern-
9 ment of the United States;

10 “(2) requiring periodic reporting on utilization
11 of the invention, and utilization efforts, by the li-
12 censee, but only to the extent necessary to enable
13 the Federal agency to determine whether the terms
14 of the license are being complied with, except that
15 any such report shall be treated by the Federal
16 agency as commercial and financial information ob-
17 tained from a person and privileged and confidential
18 and not subject to disclosure under section 552 of
19 title 5 of the United States Code; and

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

23 “(A) the licensee is not executing its com-
24 mitment to achieve practical application of the
25 invention, including commitments contained in

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

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

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

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

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

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

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

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

“209. Licensing federally owned inventions.”.

19 **SEC. 5. MODIFICATION OF STATEMENT OF POLICY AND OB-**
20 **JECTIVES FOR CHAPTER 18 OF TITLE 35,**
21 **UNITED STATES CODE.**

22 Section 200 of title 35, United States Code, is
23 amended by striking “enterprise;” and inserting “enter-
24 prise without unduly encumbering future research and dis-
25 covery;”.

1 **SEC. 6. 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 with a nonprofit organiza-
8 tion, a small business firm, or a non-Federal inventor, the
9 Federal agency employing such coinventor may, for the
10 purpose of consolidating rights in the invention and if it
11 finds that it would expedite the development of the
12 invention—

13 “(1) license or assign whatever rights it may
14 acquire in the subject invention to the nonprofit or-
15 ganization, small business firm, or non-Federal in-
16 ventor in accordance with the provisions of this
17 chapter; or

18 “(2) acquire any rights in the subject invention
19 from the nonprofit organization, small business firm,
20 or non-Federal inventor, but only to the extent the
21 party from whom the rights are acquired voluntarily
22 enters into the transaction and no other transaction
23 under this chapter is conditioned on such acquisi-
24 tion.”; and

25 (2) in section 207(a)—

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

4 (B) by inserting “, including acquiring
 5 rights for and administering royalties to the
 6 Federal Government in any invention, but only
 7 to the extent the party from whom the rights
 8 are acquired voluntarily enters into the trans-
 9 action, to facilitate the licensing of a federally
 10 owned invention” after “or through contract”
 11 in paragraph (3).

12 **SEC. 7. TECHNICAL AMENDMENTS TO THE STEVENSON-**
 13 **WYDLER TECHNOLOGY INNOVATION ACT OF**
 14 **1980.**

15 The Stevenson-Wydler Technology Innovation Act of
 16 1980 is amended—

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

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

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

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

2 (A) striking “section 6(a)” and inserting
3 “section 7(a)”;

4 (B) striking “section 6(b)” and inserting
5 “section 7(b)”;

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

8 (5) in section 11(e)(1) (15 U.S.C. 3710(e)(1)),
9 by striking “in cooperation with Federal Labora-
10 tories” and inserting “in cooperation with Federal
11 laboratories”;

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

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

16 (A) in subsection (a)(1)(A)(i), by inserting
17 “, other than payments of patent costs as delin-
18 eated by a license or assignment agreement,”
19 after “or other payments”;

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

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

4 (D) in subsection (a)(2), by striking “Gov-
 5 ernment-operated laboratories of the”; and

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

8 (8) in section 22 (15 U.S.C. 3714), by striking
 9 “sections 11, 12, and 13” and inserting “sections
 10 12, 13, and 14”.

11 **SEC. 8. REVIEW OF COOPERATIVE RESEARCH AND DEVEL-**
 12 **OPMENT AGREEMENT PROCEDURES.**

13 (a) REVIEW.—Within 90 days after the date of the
 14 enactment of this Act, each Federal agency with a feder-
 15 ally funded laboratory that has in effect on that date of
 16 enactment one or more cooperative research and develop-
 17 ment agreements under section 12 of the Stevenson-
 18 Wydler Technology Innovation Act of 1980 (15 U.S.C.
 19 3710a) shall report to the Committee on National Security
 20 of the National Science and Technology Council and the
 21 Congress on the general policies and procedures used by
 22 that agency to gather and consider the views of other
 23 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(c)(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 Committee on National Se-
14 curity of the National Science and Technology Council, in
15 conjunction with relevant Federal agencies and national
16 laboratories, shall—

17 (1) determine the adequacy of existing proce-
18 dures and methods for interagency coordination and
19 awareness with respect to cooperative research and
20 development agreements described in subsection (a);
21 and

22 (2) establish and distribute to appropriate Fed-
23 eral agencies—

24 (A) specific criteria to indicate the neces-
25 sity for gathering and considering the views of

1 other agencies on joint work statements or co-
2 operative research and development agreements
3 as described in subsection (a); and

4 (B) additional procedures, if any, for car-
5 rying out such gathering and considering of
6 agency views with respect to cooperative re-
7 search and development agreements described
8 in subsection (a).

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

16 (c) LIMITATION.—Nothing in this Act, nor any proce-
17 dures established under this section shall provide to the
18 Office of Science and Technology Policy, the National
19 Science and Technology Council, or any Federal agency
20 the authority to disapprove a cooperative research and de-
21 velopment agreement or joint work statement, under sec-
22 tion 12 of the Stevenson-Wydler Technology Innovation
23 Act of 1980 (15 U.S.C. 3710a), of another Federal agen-
24 cy.

1 **SEC. 9. INCREASED FLEXIBILITY FOR FEDERAL LABORA-**
2 **TORY PARTNERSHIP INTERMEDIARIES.**

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

5 (1) in subsection (a)(1) by inserting “, institu-
6 tions of higher education as defined in section
7 1201(a) of the Higher Education Act of 1965 (20
8 U.S.C. 1141(a)), or educational institutions within
9 the meaning of section 2194 of title 10, United
10 States Code” after “small business firms”; and

11 (2) in subsection (c) by inserting “, institutions
12 of higher education as defined in section 1201(a) of
13 the Higher Education Act of 1965 (20 U.S.C.
14 1141(a)), or educational institutions within the
15 meaning of section 2194 of title 10, United States
16 Code,” after “small business firms”.

17 **SEC. 10. REPORTS ON UTILIZATION OF FEDERAL TECH-**
18 **NOLOGY.**

19 (a) AGENCY ACTIVITIES.—Section 11 of the Steven-
20 son-Wydler Technology Innovation Act of 1980 (15 U.S.C.
21 3710) is amended—

22 (1) by striking the last sentence of subsection
23 (b);

24 (2) by inserting after subsection (e) the fol-
25 lowing:

26 “(f) AGENCY REPORTS ON UTILIZATION.—

1 “(1) IN GENERAL.—Each Federal agency which
2 operates or directs one or more Federal laboratories
3 or which conducts activities under sections 207 and
4 209 of title 35, United States Code, shall report an-
5 nually to the Office of Management and Budget, as
6 part of the agency’s annual budget submission, on
7 the activities performed by that agency and its Fed-
8 eral laboratories under the provisions of this section
9 and of sections 207 and 209 of title 35, United
10 States Code.

11 “(2) CONTENTS.—The report shall include—

12 “(A) an explanation of the agency’s tech-
13 nology transfer program for the preceding fiscal
14 year and the agency’s plans for conducting its
15 technology transfer function, including its plans
16 for securing intellectual property rights in lab-
17 oratory innovations with commercial promise
18 and plans for managing its intellectual property
19 so as to advance the agency’s mission and ben-
20 efit the competitiveness of United States indus-
21 try; and

22 “(B) information on technology transfer
23 activities for the preceding fiscal year,
24 including—

1 “(i) the number of patent applications
2 filed;

3 “(ii) the number of patents received;

4 “(iii) the number of fully-executed li-
5 censes which received royalty income in the
6 preceding fiscal year, categorized by
7 whether they are exclusive, partially-exclu-
8 sive, or non-exclusive, and the time elapsed
9 from the date on which the license was re-
10 quested by the licensee in writing to the
11 date the license was executed;

12 “(iv) the total earned royalty income
13 including such statistical information as
14 the total earned royalty income, of the top
15 1 percent, 5 percent, and 20 percent of the
16 licenses, the range of royalty income, and
17 the median, except where disclosure of
18 such information would reveal the amount
19 of royalty income associated with an indi-
20 vidual license or licensee;

21 “(v) what disposition was made of the
22 income described in clause (iv);

23 “(vi) the number of licenses termi-
24 nated for cause; and

1 “(vii) any other parameters or discus-
2 sion that the agency deems relevant or
3 unique to its practice of technology trans-
4 fer.

5 “(3) COPY TO SECRETARY; ATTORNEY GEN-
6 ERAL; CONGRESS.—The agency shall transmit a
7 copy of the report to the Secretary of Commerce and
8 the Attorney General for inclusion in the annual re-
9 port to Congress and the President required by sub-
10 section (g)(2).

11 “(4) PUBLIC AVAILABILITY.—Each Federal
12 agency reporting under this subsection is also
13 strongly encouraged to make the information con-
14 tained in such report available to the public through
15 Internet sites or other electronic means.”;

16 (3) by striking subsection (g)(2) and inserting
17 the following:

18 “(2) REPORTS.—

19 “(A) ANNUAL REPORT REQUIRED.—The
20 Secretary, in consultation with the Attorney
21 General and the Commissioner of Patents and
22 Trademarks, shall submit each fiscal year, be-
23 ginning one year after enactment of the Tech-
24 nology Transfer Commercialization Act of 1999,
25 a summary report to the President, the United

1 States Trade Representative, and the Congress
2 on the use by Federal agencies and the Sec-
3 retary of the technology transfer authorities
4 specified in this Act and in sections 207 and
5 209 of title 35, United States Code.

6 “(B) CONTENT.—The report shall—

7 “(i) draw upon the reports prepared
8 by the agencies under subsection (f);

9 “(ii) discuss technology transfer best
10 practices and effective approaches in the li-
11 censing and transfer of technology in the
12 context of the agencies’ missions; and

13 “(iii) discuss the progress made to-
14 ward development of additional useful
15 measures of the outcomes of technology
16 transfer programs of Federal agencies.

17 “(C) PUBLIC AVAILABILITY.—The Sec-
18 retary shall make the report available to the
19 public through Internet sites or other electronic
20 means.”; and

21 (4) by inserting after subsection (g) the fol-
22 lowing:

23 “(h) DUPLICATION OF REPORTING.—The reporting
24 obligations imposed by this section—

1 “(1) are not intended to impose requirements
2 that duplicate requirements imposed by the Govern-
3 ment Performance and Results Act of 1993 (31
4 U.S.C. 1101 note);

5 “(2) are to be implemented in coordination with
6 the implementation of that Act; and

7 “(3) are satisfied if an agency provided the in-
8 formation concerning technology transfer activities
9 described in this section in its annual submission
10 under the Government Performance and Results Act
11 of 1993 (31 U.S.C. 1101 note).”.

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

15 “(c) REPORTS.—The Comptroller General shall
16 transmit a report to the appropriate committees of the
17 Senate and House of Representatives on the effectiveness
18 of Federal technology transfer programs, including find-
19 ings, conclusions, and recommendations for improvements
20 in such programs. The report shall be integrated with, and

1 submitted at the same time as, the report required by sec-
 2 tion 202(b)(3) of title 35, United States Code.”.

Passed the House of Representatives May 11, 1999.

Attest: JEFF TRANDAHL,
Clerk.