

106TH CONGRESS
1ST SESSION

S. 804

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

IN THE SENATE OF THE UNITED STATES

APRIL 14, 1999

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

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. 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, for which a patent applica-
 3 tion was filed before the granting of the license, and di-
 4 rectly within the scope of the work under the agreement,”
 5 after “under the agreement,”.

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

7 (a) IN GENERAL.—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 under section 207(a)(2) 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 to
4 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, which may be extended by the
8 agency upon the applicant's request and the appli-
9 cant's demonstration that the refusal of such an ex-
10 tension would be unreasonable as specified in the li-
11 cense;

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 nontransferable, 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 to
6 take within a reasonable time, effective steps to
7 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 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; or

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

16 (2) in section 207(a)—

17 (A) in paragraph (2), by striking “patent
18 applications, patents, or other forms of protec-
19 tion obtained” and inserting “inventions”; and

20 (B) in paragraph (3), by inserting “, in-
21 cluding acquiring rights for the Federal Gov-
22 ernment in any invention, but only to the extent
23 the party from whom the rights are acquired
24 voluntarily enters into the transaction, to facili-

1 tate the licensing of a federally owned inven-
 2 tion” after “or through contract”.

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 “in-
15 vention” 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 1 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.—

21 (1) IN GENERAL.—Within 1 year after the date
22 of the enactment of this Act, the Committee on Na-
23 tional Security of the National Science and Tech-
24 nology Council, in conjunction with relevant Federal
25 agencies and national laboratories, shall—

1 (A) determine the adequacy of existing
2 procedures and methods for interagency coordi-
3 nation and awareness with respect to coopera-
4 tive research and development agreements de-
5 scribed in subsection (a); and

6 (B) establish and distribute to appropriate
7 Federal agencies—

8 (i) specific criteria to indicate the ne-
9 cessity for gathering and considering the
10 views of other agencies on joint work state-
11 ments or cooperative research and develop-
12 ment agreements as described in sub-
13 section (a); and

14 (ii) additional procedures, if any, for
15 carrying out such gathering and consid-
16 ering of agency views with respect to coop-
17 erative research and development agree-
18 ments described in subsection (a).

19 (2) PROCEDURE DESIGN.—Procedures estab-
20 lished under this subsection shall be designed to the
21 extent possible to—

22 (A) use or modify existing procedures;

23 (B) minimize burdens on Federal agencies;

24 (C) encourage industrial partnerships with
25 national laboratories; and

1 (D) minimize delay in the approval or dis-
 2 approval of joint work statements and coopera-
 3 tive research and development agreements.

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

13 **SEC. 7. INCREASED FLEXIBILITY FOR FEDERAL LABORA-**
 14 **TORY PARTNERSHIP INTERMEDIARIES.**

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

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

23 (2) in subsection (c) by inserting “, institutions
 24 of higher education as defined in section 1201(a) of
 25 the Higher Education Act of 1965 (20 U.S.C.

1 1141(a)), or educational institutions within the
 2 meaning of section 2194 of title 10, United States
 3 Code,” after “small business firms”.

4 **SEC. 8. REPORTS ON UTILIZATION OF FEDERAL TECH-**
 5 **NOLOGY.**

6 (a) AGENCY ACTIVITIES.—Section 11 of the Steven-
 7 son-Wydler Technology Innovation Act of 1980 (15 U.S.C.
 8 3710) is amended—

9 (1) by striking the last sentence of subsection
 10 (b);

11 (2) by inserting after subsection (e) the fol-
 12 lowing:

13 “(f) AGENCY REPORTS ON UTILIZATION.—

14 “(1) IN GENERAL.—Each Federal agency which
 15 operates or directs one or more Federal laboratories
 16 or which conducts activities under sections 207, 208,
 17 and 209 of title 35, United States Code, shall report
 18 annually to the Office of Management and Budget,
 19 as part of the agency’s annual budget submission,
 20 on the activities performed by that agency and its
 21 Federal laboratories under the provisions of this sec-
 22 tion and of sections 207, 208, and 209 of title 35,
 23 United States Code.

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

1 “(A) an explanation of the agency’s tech-
2 nology transfer program for the preceding year
3 and the agency’s plans for conducting its tech-
4 nology transfer function for the upcoming year,
5 including its plans for managing its intellectual
6 property so as to advance the agency’s mission
7 and benefit the competitiveness of United
8 States industry; and

9 “(B) information on technology transfer
10 activities for the preceding year, including—

11 “(i) the number of patent applications
12 filed;

13 “(ii) the number of patents received;

14 “(iii) the number of executed royalty-
15 bearing licenses, both exclusive and non-ex-
16 clusive, and the time elapsed from the date
17 the license was requested to the date the li-
18 cense was issued;

19 “(iv) the total earned royalty income
20 including such statistical information as
21 the total earned royalty income of the top
22 1 percent, 5 percent, and 20 percent of the
23 licenses, the range of royalty income, and
24 the median;

1 “(v) the number of licenses termi-
 2 nated; and

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

7 “(3) COPY TO SECRETARY; CONGRESS.—The
 8 agency shall transmit a copy of the report to the
 9 Secretary of Commerce for inclusion in the annual
 10 report to Congress and the President as set forth in
 11 subsection (g)(2) below.

12 “(4) PUBLIC AVAILABILITY.—The agency is
 13 also strongly encouraged to make the required infor-
 14 mation available to the public through web sites or
 15 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 shall submit each fiscal year, begin-
 21 ning one year after enactment of the Tech-
 22 nology Transfer Commercialization Act of 1999,
 23 a summary report to the President and the
 24 Congress on the use by the agencies and the
 25 Secretary of the authorities specified in this Act

and in sections 207, 208, and 209 of title 35,
United States Code.

“(B) CONTENT.—The report shall—

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

“(ii) discuss technology transfer best
practices, lessons learned, and successful
approaches in the licensing and transfer of
technology in the context of the agencies’
missions; and

“(iii) discuss the progress made to-
ward development of useful measures of
the outcomes of these programs.

“(C) PUBLIC AVAILABILITY.—The Sec-
retary shall make the report available to the
public through Internet websites or other elec-
tronic means.”; and

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

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

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

1 “(2) are to be implemented in coordination with
2 the implementation of that Act.”.

3 (b) ROYALTIES.—Section 14(c) of the Stevenson-
4 Wydler Technology Innovation Act of 1980 (15 U.S.C.
5 3710c(c)) is amended to read as follows:

6 “(c) REPORTS.—At least once every 5 years, begin-
7 ning one year after enactment of the Technology Transfer
8 Commercialization Act of 1999, the Comptroller General
9 shall transmit a report to the appropriate committee of
10 the Senate and House of Representatives on the effective-
11 ness of the various programs in this Act, including find-
12 ings, conclusions, and recommendations for improvements
13 in such programs.”.

○