

DEPARTMENT OF COMMERCE**Patent and Trademark Office****37 CFR Parts 101 and 102****Under Secretary for Technology****37 CFR Part 501**

[Docket No. 960604157-6157-01]

RIN 0692-AA15

Acquisition and Protection of Foreign Rights in Inventions; Licensing of Foreign Patents Acquired by the Government; Uniform Patent Policy for Rights in Inventions Made by Government Employees

AGENCY: Patent and Trademark Office; Under Secretary for Technology, Commerce.

ACTION: Interim final rule with request for comments.

SUMMARY: The interim final rule removes the regulation dealing with the Government's foreign rights in inventions made by Government employees, and expands the uniform patent policy for domestic rights in inventions to include foreign rights in inventions made by Government employees. The rule also removes the regulation dealing with the licensing of foreign patents acquired by the Government, which is inconsistent with 37 CFR Part 404 on the licensing of Government-owned inventions. This action is taken in keeping with the goals of the National Performance Review and in order to comply with recent Executive Orders that address regulatory reforms.

The rule also revises the uniform patent policy to permit an agency to impose certain conditions on the employee's title to the invention where the agency decides not to file a patent application, some of which are authorized by § 15 of the Federal Technology Transfer Act of 1986; to require agencies to provide the inventor, prior to appeal, with a full explanation of the agency determination and a copy of 37 CFR Part 501 in all cases where the agency has determined that the Government is entitled to title or a license in the invention in order to reduce the number of appeals; and to require agencies to decide if they should file any foreign patent applications within 8 months from filing a patent application in the U.S. or to authorize agencies to use an option to acquire foreign rights from the employee in order to avoid the need to transfer back

the foreign rights to the employee if the agency does not file a foreign patent application within 8 months of filing an unclassified patent application in the U.S.

DATES: This document is effective August 7, 1996.

Comments on the rule must be received on or before September 5, 1996.

The regulations will apply to any Rights Determination made after August 7, 1996.

ADDRESSES: Comments on the rule may be mailed to Mr. John Raubitschek, Patent Counsel, Office of the Chief Counsel for Technology, Room 4610, Herbert C. Hoover Building, U.S. Department of Commerce, Washington, DC 20230.

FOR FURTHER INFORMATION CONTACT: Mr. John Raubitschek at telephone: (202) 482-8010.

SUPPLEMENTARY INFORMATION: Under the authority of section 4, E.O. 10096, CFR, 1949-1953 Comp., p. 292, as amended by E.O. 10930, 3 CFR, 1959-1963 Comp., p. 456 and by E.O. 10695, 3 CFR, 1954-1958 Comp., p. 355; and the delegation by the Secretary of Commerce in DOO 10-17 and DOO 10-18, the Under Secretary of Commerce for Technology is amending 37 CFR Part 501 to include the relevant portions of former 37 CFR Part 101 to reduce duplication and streamline the regulations.

On March 4, 1995, as part of the President's Regulatory Reform Initiative, the President directed agencies to conduct a page-by-page review of all regulations and eliminate or revise those that are outdated or otherwise in need of reform.

Under the former rules, foreign rights in inventions made by Government employees were covered by 37 CFR Part 101 while domestic rights were covered by 37 CFR Part 501. After conducting a review of 37 CFR Parts 101 and 501, it was determined that some sections in Part 101 were no longer being followed by the agencies and others were interpreted by agencies in an inconsistent manner. This review also determined that Part 101 should be removed and Part 501 should be amended to cover both foreign and domestic rights, so as to have a uniform policy for the Government's domestic and foreign rights in inventions made by Government employees. It is noted that E.O. 10096 is not limited to domestic rights in invention made by Government employees.

Accordingly, 37 CFR Part 101 is removed and reserved, and 37 CFR Part 501 is amended as follows:

The title of Part 501 is changed to delete the reference to "domestic" rights so that this part will now cover both "domestic" and "foreign" rights.

The authority section is changed to make reference (1) to E.O. 10695, 3 CFR, 1954-1958 Comp., p. 355, which also amended E.O. 10096; and (2) to the latest DOO 10-17 and 10-18, issued July 15, 1992, and March 31, 1994, respectively.

Section 501.1 is changed to delete "domestic" so that this part will now cover both "domestic" and "foreign" rights.

Section 501.3(a) is editorially amended by adding a comma (,) after "Secretary."

Section 501.3(b) retains the exclusion of the Department of Energy although it follows the procedures in Part 501 because the exemption for this agency is contained in E.O. 10096. Also, the Tennessee Valley Authority and the Postal Service are excluded consistent with existing practice.

Section 501.3(c) is changed to clearly indicate that the definition of "Government employee" includes any special Government employee as defined in 18 U.S.C. 202 or an individual working for a Federal agency pursuant to the Intergovernmental Personnel Act (IPA), Pub. L. 91-648, 5 U.S.C. 1304 and 3371-3376. This section is also being changed to provide a reference to the statute which defines the term "part-time employee."

Section 501.3(d) is changed to further define the term "art" as a "process" which is the equivalent term used by the Patent and Trademark Office (35 U.S.C. 100(b)).

New paragraph (e) is added to § 501.3 to define the term "made" when used in relation to any invention as the conception or first actual reduction to practice of such invention. See *In re King*, 3 USPQ2d (BNA) 1747 (Comm'r Pat. 1987).

Section 501.4 is changed to make reference to E.O. 10695, 3 CFR, 1954-1958 Comp., p. 355, which also amended E.O. 10096. This section is also being editorially amended by deleting "therein" in the section title; adding "in and to the invention" after "rights;" deleting the words "therein" and "herein;" and adding "S" before "501.6."

Section 501.6(a)(1) is changed to delete the reference to "domestic" rights so that this section will now cover both "domestic" and "foreign" rights.

Section 501.6(a)(1)(iii) is changed to delete the reference to 37 CFR Part 101 which is being removed.

Section 501.6(a)(2) is changed to delete "domestic" (twice) so that this

section will now cover both "domestic" and "foreign" rights. Also, the last five lines in the first sentence of this section is being editorially amended by replacing "purposes, such reservation, in terms thereof, to appear" with "purposes. The terms of such reservation will appear."

Section 501.6(a)(3)(i) is changed to further define the term "art" as a "process" which is the equivalent term used by the Patent and Trademark Office (35 U.S.C. 100(b)).

Section 501.6(a)(4)(i) is changed to delete "domestic" so that this section will now cover both "domestic" and "foreign" rights.

Section 501.7(b) is revised to allow agencies to impose certain conditions where the Government decides not to file a patent application. Some of these conditions are contained in section 15 of the Federal Technology Transfer Act (15 U.S.C. 3710(a)) which permits an agency to condition the inventor's right to title on the timely filing of a patent application in cases if it determines that the Government has a need to practice the invention. Other conditions are taken from the licensing regulation in 37 CFR Part 404.

Section 501.7(c) is revised to require the agency to provide to the employee (inventor) a signed and dated statement of its determination and reasons therefor, as well as a copy of 37 CFR 501 in all cases where the agency has determined that the Government is entitled to title or a license in the invention. It is expected that the revised § 501.7(c) will help reduce the number of appeals since an inventor will now be provided with a full explanation for the initial determination of the agency without having to file an appeal. Also, by giving the inventor a copy of 37 CFR Part 501, it is ensured that the inventor will become better aware of all his/her rights under 37 CFR Part 501. It should be noted that some of the information previously required by both §§ 501.7(c) and 501.8(b) appears now only in § 501.8 (b)(2) and (b)(3) so that such information is needed only when an appeal has been filed.

Section 501.8(a) is changed to clearly indicate that the Secretary shall forward one copy of the appeal to the liaison officer of the Government agency. This change will ensure conformance with § 501.5.

Section 501.8(b) is changed to indicate that the agency liaison officer will be the person in charge of furnishing the report to the Secretary and the inventor.

Section 501.8(b)(1) is modified to delete the reference to information which is no longer required by § 501.7.

Section 501.8 (b)(2) and (b)(3) are added to include information which was required by §§ 501.(7) (c)(1) and (c)(2).

Section 501.8(b)(4) is former § 501.8(b)(2) and changed to indicate that a copy of the reply by the employee must be filed with the agency liaison officer. This section is also being editorially amended by deleting the words "thereto" and "thereof" and moving the last sentence so that it is part of § 501.8(b).

Section 501.9(a) is changed to require a "prompt" determination by the agency about whether to seek patent protection in the United States, which may include the filing of a provisional application. The section would now explicitly allow any other agency or private law firm authorized by the agency to seek patent protection on its behalf.

Section 501.9(b) is changed by replacing "will" with "may" to remove the requirement that an agency determine whether patent protection will be sought pending the Secretary's decision on the dispute. The agency will now have the choice of seeking patent protection pending the Secretary's decision on the dispute. This section is also being editorially amended by dividing a long sentence into two sentences.

Section 501.9(c) is editorially amended by adding a comma (,) after "patent."

New section 501.9(d) is added to give agencies 8 months from the filing date of a patent application in the U.S. to decide if and where they should file foreign patent applications. It is anticipated that agencies will defer the selection of individual foreign countries by filing an international application under the Patent Cooperation Treaty. If an agency chooses not to file in any foreign country, then the employee may request rights in that country subject to any of the restrictions stated in § 501.7(b) that may be imposed by the agency. It should be noted that under this section, the rights would no longer be retained by the inventor in any foreign country if the agency does not cause a patent application to be filed in that country within certain time periods previously set forth in 37 CFR 101.8. However, § 501.9(d) authorizes agencies to use an option to acquire foreign rights from the employee similar to that in 37 CFR 101.8 except that the time for exercising the option has been increased from 6 to 8 months from the filing of an unclassified application in the U.S., which is presently the practice in the Department of Army and National Aeronautics and Space Administration. Use of such an option will avoid the

need to transfer back any foreign rights to the employee when the agency chooses not to file a patent application in any foreign country although such transfer is now authorized under section 6 of Pub. L. 104-113. If an agency determines that it wants to file a foreign patent application after the 8-month option period has expired, it may do so only after obtaining an assignment of the foreign rights from the employee.

New section 501.11 is added to provide the address where any submissions or inquiries should be sent.

Part 102 was established under the authority of Executive Order 9865 to provide for the administration of a uniform policy for the licensing of foreign patents owned by the Government. In 1980 under Pub. L. 96-517, all Government agencies were given authority to obtain and license foreign and domestic patents. The procedures for granting a license are contained in 37 CFR Part 404 and conflicts with Part 102 in a number of respects. Since agencies no longer need the authority of Executive Order 9865, it was determined to cancel Part 102.

Pursuant to § 553(a)(2) of the Administrative Procedure Act (5 U.S.C. 553) (APA), the Under Secretary of Commerce for Technology finds that the interim final rule involves a matter relating to agency personnel since it concerns the foreign and domestic rights in inventions made by Government employees; therefore, the rule is exempted from the prior notice of proposed rulemaking and the delayed effective date requirements. Furthermore, the rule provides a 30-day comment period and any comments received will be considered prior to finalization of the interim rule.

The rule has been determined to be not significant for purposes of E.O. 12866.

The rule does not contain policies with Federalism implications sufficient to warrant preparation of a Federalism assessment under E.O. 12612.

Because a notice of proposed rulemaking and an opportunity for public comment are not required to be given for the interim final rule by section 553 of the APA (5 U.S.C. 553) or by any other law, under sections 3(a) of the Regulatory Flexibility Act (5 U.S.C. 603(a) and 604(a)), no initial or final Regulatory Flexibility Analysis has to be or will be prepared.

The interim final rule does not involve a collection of information under the Paperwork Reduction Act.

List of Subjects

37 CFR Part 101

Foreign rights in inventions, Inventions made by Government employees.

37 CFR Part 102

Licensing of foreign patents acquired by the Government.

37 CFR Part 501

Uniform patent policy, Domestic rights in inventions, Inventions made by Government employees, Foreign rights in inventions.

For the reasons set forth in the preamble and under authority of 5 U.S.C. 301, 37 CFR chapters I and V are amended as follows:

CHAPTER I—PATENT AND TRADEMARK OFFICE, DEPARTMENT OF COMMERCE

PART 101—[REMOVED AND RESERVED]

1. Part 101 is removed and reserved.

PART 102—[REMOVED AND RESERVED]

2. Part 102 is removed and reserved.

CHAPTER V—UNDER SECRETARY FOR TECHNOLOGY, DEPARTMENT OF COMMERCE

PART 501—UNIFORM PATENT POLICY FOR RIGHTS IN INVENTIONS MADE BY GOVERNMENT EMPLOYEES

3. The authority citation for 37 CFR part 501 is revised to read as follows:

Authority: Sec. 4, E.O. 10096, 3 CFR, 1949–1953 Comp., p. 292, as amended by E.O. 10930, 3 CFR, 1959–1963 Comp., p. 456 and by E.O. 10695, 3 CFR, 1954–1958 Comp., p. 355; DOO 10–17, July 15, 1992, and DOO 10–18, March 31, 1994.

4. The heading of part 501 is revised as set forth above.

5. Section 501.1 is revised to read as follows:

§ 501.1 Purpose.

The purpose of this part is to provide for the administration of a uniform patent policy for the Government with respect to the rights in inventions made by Government employees and to prescribe rules and regulations for implementing and effectuating such policy.

6. Section 501.3 is revised to read as follows:

§ 501.3 Definitions.

(a) The term *Secretary*, as used in this part, means the Under Secretary of Commerce for Technology.

(b) The term *Government agency*, as used in this part, means any Executive

department or independent establishment of the Executive branch of the Government (including any independent regulatory commission or board, any corporation wholly owned by the United States, and the Smithsonian Institution), but does not include the Department of Energy for inventions made under the provisions of 42 U.S.C. 2182, the Tennessee Valley Authority, or the Postal Service.

(c) The term *Government employee*, as used in this part, means any officer or employee, civilian or military, of any Government agency, including any special Government employee as defined in 18 U.S.C. 202 or an individual working for a Federal agency pursuant to the Intergovernmental Personnel Act (IPA), 5 U.S.C. 1304 and 3371–3376, or a part-time consultant or part-time employee as defined in 29 U.S.C. 2101(a)(8) except as may otherwise be provided by agency regulation approved by the Secretary.

(d) The term *invention*, as used in this part, means any art or process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the patent laws of the United States.

(e) The term *made* as used in this part in relation to any invention, means the conception or first actual reduction to practice of such invention as stated in *In re King*, 3 USPQ2d (BNA) 1747 (Comm'r Pat. 1987).

7. Section 501.4 is revised to read as follows:

§ 501.4 Determination of inventions and rights.

Each Government agency has the approval of the Secretary to determine whether the results of research, development, or other activity in the agency constitute an invention within the purview of Executive Order 10096, as amended by Executive Order 10930 and Executive Order 10695, and to determine the rights in and to the invention in accordance with the provisions of §§ 501.6 and 501.7.

8. Section 501.6 is amended by revising paragraphs (a)(1) introductory text, (a)(1)(iii), (a)(2), (a)(3)(i) and (a)(4)(i) to read as follows:

§ 501.6 Criteria for the Determination of rights in and to inventions.

(a) * * *

(1) The Government shall obtain, except as herein otherwise provided, the entire right, title and interest in and to any invention made by any Government employee:

* * * * *

(iii) Which bears a direct relation to or is made in consequence of the official duties of the inventor.

(2) In any case where the contribution of the Government, as measured by any one or more of the criteria set forth in paragraph (a)(1) of this section, to the invention is insufficient equitably to justify a requirement of assignment to the Government of the entire right, title and interest in and to such invention, or in any case where the Government has insufficient interest in an invention to obtain the entire right, title and interest therein (although the Government could obtain same under paragraph (a)(1) of this section), the Government agency concerned shall leave title to such invention in the employee, subject however, to the reservation to the Government of a nonexclusive, irrevocable, royalty-free license in the invention with power to grant licenses for all governmental purposes. The terms of such reservation will appear, where practicable, in any patent, domestic or foreign, which may issue on such invention. Reference is made to section 15 of the Federal Technology Transfer Act of 1986 (15 U.S.C. 3710d) which requires a Government agency to allow the inventor to retain title to any covered invention when the agency does not intend to file a patent application or otherwise promote commercialization.

(3) * * *

(i) To invent or improve or perfect any art or process, machine, design, manufacture, or composition of matter;

* * * * *

(4) * * *

(i) Obtains the entire right, title and interest in and to an invention pursuant to the provisions of paragraph (a)(1) of this section nor

* * * * *

9. Section 501.7 is amended by revising paragraphs (b) and (c) to read as follows:

§ 501.7 Agency determination.

* * * * *

(b) In the event that a Government agency determines, pursuant to paragraph (a)(2) or (a)(4) of § 501.6, that title to an invention will be left with the employee, the agency shall notify the employee of this determination. In cases pursuant to § 501.6(a)(2) where the Government's insufficient interest in the invention is evidenced by its decision not to file a patent application, the agency may impose on the employee any one or all of the following conditions or any other conditions that may be necessary in a particular case:

(1) That a patent application be filed in the United States and/or abroad, if

the Government has determined that it has or may need to practice the invention;

(2) That the invention not be assigned to any foreign-owned or controlled corporation without the written permission of the agency; and

(3) That any assignment or license of rights to use or sell the invention in the United States shall contain a requirement that any products embodying the invention or produced through the use of the invention be substantially manufactured in the United States. The agency shall notify the employee of any conditions imposed.

(c) In the case of a determination under either paragraph (a) or (b) of this section, the agency shall promptly provide the employee with:

(1) A signed and dated statement of its determination and reasons therefor; and

(2) A copy of 37 CFR part 501.

10. Section 501.8 is amended by revising paragraphs (a) and (b), redesignating paragraphs (c) and (d) as paragraph (d) and (e), and adding new paragraph (c) to read as follows:

§ 501.8 Appeals by employees.

(a) Any Government employee who is aggrieved by a Government agency determination pursuant to §§ 501.6(a)(1) or (a)(2), may obtain a review of any agency determination by filing, within 30 days (or such longer period as the Secretary may, for good cause shown in writing, fix in any case) after receiving notice of such determination, two copies of an appeal with the Secretary. The Secretary then shall forward one copy of the appeal to the liaison officer of the Government agency.

(b) On receipt of a copy of an appeal filed pursuant to paragraph (a) of this section, the agency liaison officer shall, subject to considerations of national security, or public health, safety or welfare, promptly furnish both the Secretary and the inventor with a copy of a report containing the following information about the invention involved in the appeal:

(1) A copy of the agency's statement specified in § 501.7(c);

(2) A description of the invention in sufficient detail to identify the invention and show its relationship to the employee's duties and work assignments;

(3) The name of the employee and employment status, including a detailed statement of official duties and responsibilities at the time the invention was made; and

(4) A detailed statement of the points of dispute or controversy, together with copies of any statements or written

arguments filed with the agency, and of any other relevant evidence that the agency considered in making its determination of Government interest.

(c) Within 25 days (or such longer period as the Secretary may, for good cause shown, fix in any case) after the transmission of a copy of the agency report to the employee, the employee may file a reply with the Secretary and file one copy with the agency liaison officer.

* * * * *

11. Section 501.9 is revised to read as follows:

§ 501.9 Patent protection.

(a) A Government agency, upon determining that an invention coming within the scope of §§ 501.6(a)(1) or (a)(2) has been made, shall promptly determine whether patent protection will be sought in the United States by or on behalf of the agency for such invention. A controversy over the respective rights of the Government and of the employee shall not unnecessarily delay the filing of a patent application by the agency to avoid the loss of patent rights. In cases coming within the scope of § 501.6(a)(2), the filing of a patent application shall be contingent upon the consent of the employee.

(b) Where there is an appealed dispute as to whether §§ 501.6 (a)(1) or (a)(2) applies in determining the respective rights of the Government and of an employee in and to any invention, the agency may determine whether patent protection will be sought in the United States pending the Secretary's decision on the dispute. If the agency decides that an application for patent should be filed, the agency will take such rights as are specified in § 501.6(a)(2), but this shall be without prejudice to acquiring the rights specified in paragraph (a)(1) of that section should the Secretary so decide.

(c) Where an agency has determined to leave title to an invention with an employee under § 501.6(a)(2), the agency will, upon the filing of an application for patent, take the rights specified in that paragraph without prejudice to the subsequent acquisition by the Government of the rights specified in paragraph (a)(1) of that section should the Secretary so decide.

(d) Where an agency has filed a patent application in the United States, the agency will, within 8 months from the filing date of the U.S. application, determine if any foreign patent applications should also be filed. If the agency chooses not to file an application in any foreign country, the employee may request rights in that country subject to the conditions stated in

§ 501.7(b) that may be imposed by the agency. Alternatively, the agency may permit the employee to retain foreign rights by including in any assignment to the Government of an unclassified U.S. patent application on the invention an option for the Government to acquire title in any foreign country within 8 months from the filing date of the U.S. application.

12. A new § 501.11 is added to read as follows:

§ 501.11 Submissions and inquiries.

All submissions or inquiries should be directed to Chief Counsel for Technology, telephone number 202-482-1984, Room H4835, U.S. Department of Commerce, Washington DC 20230.

Dated: July 22, 1996.

Bruce A. Lehman,

Assistant Secretary of Commerce and Commissioner of Patents and Trademarks.

Dated: July 26, 1996.

Mary L. Good,

Under Secretary of Commerce for Technology.

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BILLING CODE 3510-18-P; 3510-16-P

GENERAL SERVICES ADMINISTRATION

41 CFR Part 101-11

[FPMR Interim Rule B-1]

RIN 3090-AG02

Relocation of FIRMR Provisions Relating to GSA's Role in the Records Management Program

AGENCY: Office of Policy, Planning and Evaluation, GSA.

ACTION: Interim rule with request for comments.

SUMMARY: This regulation reestablishes certain Federal Information Resources Management Regulation (FIRMR) provisions regarding records management in the Federal Property Management Regulations (FPMR). This action is necessary because the FIRMR is being abolished as of 12 midnight on August 8, 1996.

DATES: This rule is effective August 8, 1996. Comments are solicited and are due October 7, 1996.

Expiration Date: December 31, 1997.

ADDRESSES: Comments may be mailed to General Services Administration, Office of Policy, Planning and Evaluation, Strategic IT Analysis Division (MKS), 18th & F Streets, NW., Room 3224, Washington, DC 20405.

FOR FURTHER INFORMATION CONTACT: R. Stewart Randall or Pat Smith of the