[6450-01-P]

DEPARTMENT OF ENERGY

10 CFR Part 781

DOE Patent Licensing Regulations

RIN: 1990-AA41

AGENCY: Office of the General Counsel, Department of Energy.

ACTION: Final rule.

SUMMARY: The Department of Energy (DOE) is amending its patent licensing regulations to remove outdated sections and provide for the creation of a new appeal authority to serve as the Invention Licensing Appeal Board. Under the new regulations, the DOE Deputy General Counsel for Technology Transfer and Procurement shall hear and decide appeals relating to licensing of federally-owned inventions; and to copyright licenses granted in works created under management and operating (M & O) contracts with DOE, but not including M & O contracts administered by the National Nuclear Security Administration (NNSA) for NNSA facilities. The NNSA Deputy General Counsel for Procurement shall hear and decide appeals under management and operating contracts administered by NNSA for NNSA facilities.

EFFECTIVE DATE: This final rule is effective [**INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER**].

FOR FURTHER INFORMATION CONTACT: John T. Lucas, Office of the Assistant General Counsel for Technology Transfer and Intellectual Property, U.S. Department of Energy, Forrestal Building, Room 6F-067, 1000 Independence Avenue, SW, Washington, DC 20585; Telephone: (202) 586-2802.

SUPPLEMENTARY INFORMATION:

I. Discussion.

II. Final Action.

III. Regulatory Review.

I. Discussion

The DOE regulations at 10 CFR Part 781 were promulgated to establish the procedures, terms, and conditions upon which licenses may be granted in inventions covered by patents or patent applications vested in the United States of America, as represented by or in the custody of DOE. Pursuant to the authority of 35 U.S.C. 206, the Department of Commerce since issued regulations on licensing of government-owned inventions, which are codified at 37 CFR Part 404. Those regulations currently supersede, to the extent inconsistent, the DOE regulations at 10 CFR Part 781 and similarly prescribe the terms, conditions, and procedures upon which a federally-owned invention may be licensed. 10 CFR Part 781 has served to supplement 37 CFR Part 404 to include, among other things, provisions for appeals, referencing procedures of the DOE Board of Contract Appeals. The DOE Board of Contract Appeals has since been terminated. That board served as the Invention Licensing Appeal Board under the current DOE regulations at 10 CFR Part 781. Accordingly, several sections of Part 781 contain language that has become outdated since the codification of the DOE patent licensing regulations.

Also, since the original codification of the patent licensing regulations at 10 CFR Part 781, DOE has promulgated the regulations at 48 CFR Part 970, which govern its M & O contracts. Those regulations provide that M & O contractors may with agency permission assert copyright in works first produced in performance of their contracts. However, where the contractor has not made a satisfactory demonstration that it or any of its licensees is pursuing

commercialization, DOE may require that licenses be granted to other responsible applicants. Pursuant to 48 CFR 970.5227-2(e)(3)(vi), M & O contractors may appeal such decisions to the Invention Licensing Appeal Board.

DOE takes this opportunity to amend its regulations at 10 CFR Part 781 to remove outdated sections and provide for the creation of a new appeal authority to serve as the Invention Licensing Appeal Board. Under the new regulations, the DOE Deputy General Counsel for Technology Transfer and Procurement shall hear and decide appeals arising under: (1) 37 CFR 404.11, relating to licensing of federally-owned inventions; and (2) 48 CFR 970-5227-2(e)(3)(vi), relating to copyright licenses granted in works created under M & O contracts with DOE, but not including M & O contracts administered by NNSA for NNSA facilities. The NNSA Deputy General Counsel for Procurement shall hear and decide appeals under 48 CFR 970-5227-2(e)(3)(vi) arising under M & O contracts administered by NNSA for NNSA facilities.

II. Final Action

DOE is publishing this final rule without prior notice and opportunity for public comment, and is making the rule effective upon publication in the Federal Register, because the Administrative Procedure Act exempts rules of procedure from its notice and comment and delayed effective date requirements (5 U.S.C. 553(b)(3)(A) and (d)).

III. Regulatory Review

A. Review Under Executive Order 12866.

This regulatory action has been determined not to be a "significant regulatory action" under Executive Order 12866, "Regulatory Planning and Review" (58 FR 51735, October 4, 1993). Accordingly, this final rule was not subject to review under the Executive Order by the

Office of Information and Regulatory Affairs within the Office of Management and Budget (OMB).

B. Review Under the Regulatory Flexibility Act.

The Regulatory Flexibility Act (5 U.S.C. 601 *et seq*.) requires preparation of an initial regulatory flexibility analysis for any rule that by law must be proposed for public comment, unless the agency certifies that the rule, if promulgated, will not have a significant economic impact on a substantial number of small entities. Because a general notice of proposed rulemaking is not required by any law, the analytical provisions of the Regulatory Flexibility Act do not apply, and DOE has not prepared a regulatory flexibility analysis for this rulemaking.

C. Review Under the National Environmental Policy Act.

Pursuant to the Council on Environmental Quality Regulations (40 CFR §§ 1500-08), DOE has established regulations for its compliance with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*). Pursuant to Appendix A of Subpart D of 10 CFR Part 1021, DOE has determined that today's regulatory action is strictly procedural (Categorical Exclusion A6). Accordingly, neither an environmental impact statement nor an environmental assessment is required.

D. Review Under the Paperwork Reduction Act.

This final rule contains no new collection of information requiring OMB approval under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*).

E. Review Under Executive Order 12988.

With respect to the review of existing regulations and the promulgation of new regulations, section 3(a) of E.O. 12988, "Civil Justice Reform" (61 FR 4729, February 7, 1996), imposes on executive agencies the general duty to adhere to the following requirements: (1)

eliminate drafting errors and ambiguity; (2) write regulations to minimize litigation; and (3) provide a clear legal standard for affected conduct rather than a general standard and promote simplification and burden reduction. Section 3(b) of E.O. 12988 specifically requires that executive agencies make every reasonable effort to ensure that the regulation: (1) clearly specifies the preemptive effect, if any; (2) clearly specifies any effect on existing Federal law or regulation; (3) provides a clear legal standard for affected conduct while promoting simplification and burden reduction; (4) specifies the retroactive effect, if any; (5) adequately defines key terms; and (6) addresses other important issues affecting clarity and general draftsmanship under any guidelines issued by the United States Attorney General. Section 3(c) of E.O. 12988 requires executive agencies to review regulations in light of applicable standards in section 3(a) and section 3(b) to determine whether they are met or it is unreasonable to meet one or more of them. DOE has completed the required review and determined that, to the extent permitted by law, this final rule meets the relevant standards of E.O. 12988.

F. Review Under Executive Order 13132.

Executive Order 13132, "Federalism" (64 FR 43255, August 4, 1999) imposes certain requirements on agencies formulating and implementing policies or regulations that preempt state law or that have federalism implications. Agencies are required to examine the constitutional and statutory authority supporting any action that would limit the policymaking discretion of the states and carefully assess the necessity for such actions. DOE has examined today's rule and has determined that it does not preempt state law and does not have a substantial direct effect on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. No further action is required by E.O. 13132.

G. Review Under the Unfunded Mandates Reform Act of 1995.

The Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4) requires a federal agency to perform a detailed assessment of costs and benefits of any rule imposing a federal mandate with costs to state, local or tribal governments, or to the private sector. This rulemaking does not impose a federal mandate on state, local or tribal governments or on the private sector.

H. Review Under the Treasury and General Government Appropriations Act, 1999.

Section 654 of the Treasury and General Government Appropriations Act, 1999 (Pub. L. 105-277), requires federal agencies to issue a Family Policymaking Assessment for any rule or policy that may affect family well being. This rule will have no impact on family, the autonomy or integrity of the family as an institution. Accordingly, DOE has concluded that it is not necessary to prepare a Family Policy Assessment.

I. Review under the Treasury and General Government Appropriations Act, 2001.

The Treasury and General Government Appropriations Act, 2001 (44 U.S.C. 3516 note) provides for agencies to review most disseminations of information to the public under guidelines established by each agency pursuant to general guidelines issued by OMB. OMB's guidelines were published at 67 FR 8452 (February 22, 2002), and DOE's guidelines were published at 67 FR 62446 (October 7, 2002). DOE has reviewed today's rule under the OMB and DOE guidelines and has concluded that it is consistent with applicable policies in those guidelines.

J. Review Under Executive Order 13211.

Executive Order 13211, "Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use" (66 FR 28355, May 22, 2001) requires federal agencies to prepare and submit to the Office of Information and Regulatory Affairs (OIRA), OMB, a

Statement of Energy Effects for any significant energy action. A "significant energy action" is defined as any action by an agency that promulgates or is expected to lead to promulgation of a final rule, and that: (1) is a significant regulatory action under E.O. 12866, or any successor order; and (2) is likely to have a significant adverse effect on the supply, distribution, or use of energy, or (3) is designated by the Administrator of OIRA as a significant energy action. For any significant energy action, the agency must give a detailed statement of any adverse effects on energy supply, distribution, or use should the proposal be implemented, and of reasonable alternatives to the action and their expected benefits on energy supply, distribution, and use. Today's rule is not a significant energy action. Accordingly, DOE has not prepared a Statement of Energy Effects.

K. Congressional Notification.

As required by 5 U.S.C. 801, DOE will report to Congress promulgation of this rule prior to its effective date. The report will state that it has been determined that the rule is not a "major rule" as defined by 5 U.S.C. 804(2).

L. Approval by the Office of the Secretary of Energy.

The Office of the Secretary of Energy has approved issuance of this final rule.

List of Subjects in 10 CFR part 781

Administrative practice and procedure, Inventions and patents.

Issued in Washington, DC, on December 23, 2011.

Daniel B. Poneman
Deputy Secretary of Energy

For the reasons set forth in the preamble, DOE amends Chapter III of Title 10 of the Code of Federal Regulations as set forth below:

PART 781 – DOE PATENT LICENSING REGULATIONS

1. The authority citation for Part 781 is revised to read as follows:

Authority: 42 U.S.C. 2186, 42 U.S.C. 2201(g), and 35 U.S.C. 207-209.

2. Section 781.1 is revised to read as follows:

§ 781.1 Scope.

The regulations of this part supplement the U.S. Department of Commerce regulations, entitled LICENSING OF GOVERNMENT OWNED INVENTIONS, at 37 CFR Part 404.

3. Section 781.2 is revised to read as follows:

§ 781.2 Policy.

(a) It is the policy of this regulation to use the patent system to promote the utilization of inventions arising from Department of Energy supported research and development.

(b) Decisions as to grants or denials of any license application will, in the discretion of the Secretary of Energy, be based on the Department of Energy's view of what is in the best interests of the United States and the general public under the provisions of these regulations. Decisions of the Department of Energy under these regulations may be made on the Secretary of Energy's behalf by the Assistant General Counsel for Technology Transfer and Intellectual Property, except where otherwise delegated.

§ 781.3 [Removed and Reserved]

4. Remove and reserve §781.3.

5. Section 781.4 is revised to read as follows:

§ 781.4 Communications.

All communications concerning the regulations in this part, including applications for licenses, should be addressed or delivered to the General Counsel, Attention: Assistant General Counsel for Technology Transfer and Intellectual Property, U.S. Department of Energy, 1000 Independence Avenue, SW, Washington, DC 20585.

§§ 781.51 and 781.52 [Removed and Reserved]

6. Remove and reserve §§781.51 and 781.52.

7. Section 781.53 is revised to read as follows:

§ 781.53 Additional licenses.

Subject to any outstanding licenses, nothing in this part shall preclude the Department of Energy from granting additional nonexclusive, or exclusive, or partially exclusive licenses for inventions covered by this part when the Department of Energy determines that to do so would provide for an equitable exchange of patent rights. The following circumstances are examples in which such licenses may be granted:

(a) In consideration of the settlement of interferences or other administrative proceedings before the U.S. Patent and Trademark Office;

(b) In consideration of a release of any claims;

(c) In exchange for or as a part of the consideration for a license under adversely held patents;

(d) As necessary for meeting obligations of the U.S. under any treaty, international agreement arrangement or cooperation, memorandum of understanding or similar arrangement; or

(e) In consideration for the settlement or resolution of any proceeding under the Department of Energy Organization Act or other law.

§§ 781.61, 781.62, 781.63, and 781.64 [Removed and Reserved]

8. Remove and reserve §§781.61, 781.62, 781.63, and 781.64.

9. Section 781.65 is revised to read as follows:

§ 781.65 Appeals.

(a) Standing. The following parties have the right to appeal under this part:

(1) Pursuant to 37 CFR 404.11:

(i) A person whose application for a license has been denied;

(ii) A licensee whose license has been modified or terminated, in whole or in part;

(iii) A person who timely filed a written objection in response to the notice required by 37 CFR 404.7(a)(1)(i) or (b)(1)(i) and who can demonstrate to the satisfaction of the Federal agency that such person may be damaged by the agency action; or

(2) A management and operating contractor appealing an agency decision to grant a copyright license to a third party pursuant to the Rights in Data-Technology Transfer clause for DOE management and operating contracts per 48 CFR Part 970.

(b) Notice of Appeal. Appeal under paragraph (a) of this section shall be initiated by filing a Notice of Appeal with the Secretary, ATTN: Deputy General Counsel for Technology Transfer and Procurement ("Deputy General Counsel"), within thirty (30) days from the date of receipt of a written notice by the Department of Energy of an action set forth in paragraph (a) of

this section. The Notice of Appeal shall specify the portion of the decision from which the appeal is taken. A statement of fact and argument in the form of a brief in support of the appeal shall be submitted with the Notice of Appeal or within thirty (30) days thereafter.

(c) Procedure. Appeals under this section shall be conducted pursuant to rules of procedure provided by the Deputy General Counsel.

(d) Within sixty (60) days of receiving appellant's brief pursuant to paragraph (b) of this section or such other time period set by the Deputy General Counsel, the Office of the Assistant General Counsel for Technology Transfer and Intellectual Property shall submit to the Deputy General Counsel a response brief and shall timely serve a copy of the response brief to appellant.

(e) The Deputy General Counsel shall consider the facts and arguments submitted in appellant's brief submitted under paragraph (b) of this section, as well as those presented by the Assistant General Counsel for Technology Transfer and Intellectual Property. An appeal by a licensee under paragraph (a)(1)(ii) of this section may include a hearing, upon request of the licensee, to address a dispute over any relevant fact. Such request for a hearing must be received by the Deputy General Counsel within thirty (30) days of appellant's receipt of the response brief.

(f) The Deputy General Counsel shall issue a written decision, which shall constitute the final action of the Department on the matter.

(g) The parties may agree to Alternate Dispute Resolution in lieu of an appeal.

(h) Appeals Arising Under National Nuclear Security Administration (NNSA) Management and Operating Contracts. For appeals pursuant to paragraph (a)(2) of this section arising under management and operating contracts administered by NNSA for NNSA facilities,

the NNSA Deputy General Counsel for Procurement shall be designated as the appeal authority (Deputy General Counsel) pursuant to paragraphs (b) through (f) of this section.

§§ 781.66, 781.71, and 781.81 [Removed and Reserved]

10. Remove and reserve §§781.66, 781.71 and 781.81.

[FR Doc. 2012-2162 Filed 01/31/2012 at 8:45 am; Publication Date: 02/01/2012]