

essentially equivalent work in the STTR Program.

In addition, SBA proposes to define the term "feasibility" because it is used when discussing Phase I of the program. Specifically, the purpose of Phase I is to determine the scientific and technical merit and feasibility of a proposed effort and the quality of performance of the SBC with a relatively small agency investment before consideration of further Federal support in Phase II. SBA proposes to define "feasibility" to mean the practical extent to which a project can be performed successfully.

SBA also proposes a definition for the term "innovation" because the term is used throughout the Policy Directive. SBA proposes "innovation" to mean something new or improved, having marketable potential, including (1) development of new technologies, (2) refinement of existing technologies, or (3) development of new applications for existing technologies.

SBA proposes to define the term "intellectual property" to incorporate all of the separate and distinct types of intangible property, such as patents and trademarks. The proposed definition would also specifically include STTR technical data and all types of intangible assets either proposed or generated by an SBC as a result of its participation in the STTR Program. SBA proposes this definition because the term is used throughout the Policy Directive and is important to SBCs in terms of their rights in intellectual property developed pursuant to the STTR Program.

SBA proposes to define the term "joint venture" to mean an association of concerns with interests in any degree or proportion by way of contract, express or implied, consorting to engage in and carry out a single specific business venture for joint profit, for which purpose they combine their efforts, property, money, skill, or knowledge, but not on a continuing or permanent basis for conducting business generally. Further, for purposes of the STTR Program, a joint venture would be viewed as a business entity in determining power to control its management and would be eligible under the STTR Program provided that the entity created is small and each concern that is part of the joint venture qualifies as a SBC. SBA proposes this definition of joint venture because it is consistent with the definition of joint venture in the Federal Acquisition Regulations (FAR) and is appropriate for the program.

SBA proposes to define the terms "outcomes" and "outputs" because SBCs will report on such measures when describing their Phase II awards.

This information will be utilized in the government's Tech-Net database to help SBA and the Federal agencies assess the STTR Program. SBA proposes to define "outcomes" as the measures of long-term, eventual, program impact and the term "output" as the measures of near-term program impact.

SBA proposes to define the term "principal investigator/project manager" as the individual designated by the applicant to provide the scientific and technical direction to a project supported by the funding agreement. The principal investigator/project manager is a key person to the project and the Policy Directive sets forth several requirements for this person, *i.e.*, they must be identified in the proposal and may have employment with the SBC or collaborative research partner at the time of award and during the period of performance.

SBA proposes to define the term "prototype" to mean a model of something to be further developed, which includes designs, protocols, questionnaires, software, and devices. The term "prototype" is used in the definition of R/R&D, which provides that R/R&D includes a systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

SBA proposes revising the definition of "research institution." Currently, the definition provides that the institution must meet the requirements of a United States research organization. In the proposed definition, SBA further clarifies this requirement to mean that it must have a place of business located in the United States, and which operates primarily within the United States or which makes a significant contribution to the United States economy through payment of taxes or use of American products, materials, or labor. SBA proposes this definition because SBCs have always been required to meet these requirements to receive the benefits of this program, and thus the same should apply to research institutions receiving STTR benefits.

SBA adds definitions for the terms "STTR Technical Data" and "STTR Technical Data Rights" and deletes the term "data rights." SBA proposes these definitions because the Reauthorization Act requires SBA to clarify data rights under the program. In addition, SBA has received many inquiries from SBCs concerning what data is actually protected under the STTR Program, and what rights business concerns have regarding their STTR developed

technologies. The proposed definition defines "STTR Technical Data" to include all data generated during the performance of an STTR award. The proposed definition defines "STTR Technical Data rights" as those rights obtained in data generated during the performance of any STTR Phase I, II, or III award that an awardee delivers to the Government during or upon completion of a Federally-funded project, and to which the Government receives a license.

Section 4 of the proposed Policy Directive sets forth information pertaining to Phases I, II and III of the STTR Program. SBA has amended the Policy Directive to state, at section 4(a)(2), that "proposals will be evaluated on a competitive basis and that agencies must give consideration to the scientific and technical merit and feasibility of the proposal along with its potential for commercialization. The Policy Directive also allows agencies to consider program balance or critical agency requirements.

In section 4(b), SBA proposes a provision relating to novation and successor-in-interests for Phase II. Specifically, the proposed provision would allow STTR awardees in Phase I, including those identified via a novated or successor in interest agreement, to participate in Phases II and III. SBA proposes this change because it understands that many agencies already allow this to occur and agrees with the concept. However, SBA is also proposing to permit agencies "to require the original awardee to relinquish its rights and interests in an STTR project in favor of another applicant as a condition for that applicant's eligibility to participate in the STTR Program for that project." In addition, all applicants and their proposed personnel and key supporting staff, must meet the eligibility and scientific and technical qualifications attendant to the STTR Program. Furthermore, SBA notes that it amends section 6(a)(4) to permit agencies to approve a change in principal investigator. Finally, although novated funding agreements are discussed in the proposed Policy Directive in the context of Phase II, the same applies to situations involving Phase I and III awards.

SBA proposes several amendments to the Policy Directive, set forth in section 4(c), which clarify the scope of Phase III. It is SBA's understanding that many agencies do not treat Phase III awards as STTR awards. Therefore, SBA proposes to further define a Phase III award as one that derives from, extends, or logically concludes efforts performed under prior STTR funding agreements,