



ALERTS

Senate Passes Bill To Fortify U.S. In Technology And Economic Competition With China

June 18, 2021

Highlights

U.S. Senate passes the U.S. Innovation and Competition Act (USICA) in order to fortify competition with China, which provides \$200 billion in specified funding

The crux of the bill is the Endless Frontier Act, which authorizes \$81 billion to the National Science Foundation and \$17 billion to the Department of Energy to support research and development across key technologies

Additionally, the House Science Committee marked up the National Science Foundation for the Future Act and the Department of Energy Science for the Future Act to further such efforts

On June 8, the U.S. Senate passed the U.S. Innovation and Competition Act (USICA). The [bill contains trade provisions](#), economic incentives, and approximately \$200 billion in funding for U.S. semiconductors and telecommunications system development, production and scientific research.

Semiconductors have emerged as a critical component of the U.S.

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economy and national security, and the bill is aimed at securing the U.S.'s economic and technological innovation advantage over China. The bill now heads to the House, where its future is unclear, as it could undergo further changes before being considered for passage.

In addition, on June 15, the House Science Committee marked up the [National Science Foundation for the Future Act](#), as well as the [Department of Energy Science for the Future Act](#). The committee plans to continue to work through these and additional bills, and have their pieces of the competitiveness package completed by the August congressional recess.

Provisions of USICA

USICA authorizes over \$50 billion in federal funding to be invested into industrial planning, economic incentives for domestic semiconductor production, and general emerging technologies research. It also includes provisions such as wage requirements, funding for STEM programs in K-12 and higher education, and an entrepreneurship study.

Additionally, this bill:

- Allocates \$1.5 billion to the telecom industry, which will help fund the USA Telecommunications Act's push for open 5G technologies
- Contains trade provisions such as a mechanism for companies to request relief from special China Section 301 tariffs, a reauthorization of GSP (the program that permits duty free entry for certain goods from developing countries), and passage of the Miscellaneous Tariff suspension program (a temporary suspension of tariffs on thousands of products that are not made in the U.S.)
- Increases megamerger filing fees
- Includes a plan to collect demographic data to measure diversity among inventors

The future of USICA depends largely on how the House restructures the bill. Currently, the Senate bill builds on previously proposed legislation, such as the Endless Frontier Act, which funds formerly passed bills, and establishes additional bodies and appropriations. Specifically, USICA is structured into six major divisions:

1. The National Defense Authorization Act was passed last year, and USICA allocates money to two programs it authorized. In USICA's Division A, \$52 billion is allocated to fund the Creating Helpful Incentives to Produce Semiconductors for America Act (CHIPS Act) and \$1.5 billion is allocated to a Public Wireless Supply Chain Innovation Fund, authorized by the Utilizing Strategic Allied Telecommunications Act (USA Telecommunications Act). These two appropriations provide financial assistance for companies to invest in semiconductor research, development, facilities and manufacturing equipment, along with grants for researching, developing, and deploying 5G

and next-generation technology that use open and interoperable interface radio access networks.

2. Division B incorporates the Endless Frontier Act, Senate legislation introduced by Sen. Chuck Schumer (D-NY) and Sen. Todd Young (R-IN), which the Commerce, Science, and Transportation Committee approved in May 2021. This division authorizes over \$110 billion in investments to establish a new Directorate for Technology and Innovation in the National Science Foundation (NSF); creates regional technology hub and supply chain resiliency programs at the U.S. Department of Commerce (USDOC); and promotes the participation of underrepresented populations in science, technology, engineering, and mathematics (STEM). The Commerce Committee also approved an amendment extending Davis-Bacon provisions, which requires companies receiving funding under the CHIPS Act to pay their workers prevailing wages.
3. Division C incorporates the Strategic Competition Act, which the Foreign Relations Committee approved in April 2021. These provisions are multifaceted and focus on helping the U.S. secure technological infrastructure; expand Internet access in the Indo-Pacific region and around the world; promote reasserting U.S. leadership in international organizations and standards-setting bodies; address intellectual property theft and other foreign corrupt practices; and commit to sanctions against China in response to human rights abuses.
4. Division D incorporates the Safeguarding American Innovation Act approved by the Homeland Security and Governmental Affairs Committee. This portion of USICA creates a Federal Research Security Council, which will help protect against the theft of U.S. research, technology, and intellectual property. This body will establish policies on federal research and grant-making processes, prevent further abuses by individuals who have stolen sensitive information, and develop guidelines for sponsors of foreign researchers to prevent unauthorized release of controlled technology.
5. Division E focuses on threats from China. The Banking, Housing, and Urban Affairs Committee approved the Meeting the China Challenge Act, which addresses threats to financial services, including money laundering, fraud, cyberattacks and human rights abuses. USICA creates a joint interagency task force to investigate allegations of market manipulation, urges firms to adopt a corporate code of conduct for operating in China, and reviews export controls on products that may be associated with human rights abuses. Additionally, the bill grants the joint interagency task force sanction authority, and requires sanctions against foreign entities or people that the U.S. president identifies each year as having: supported or engaged in cyberattacks or otherwise undermined U.S.

cybersecurity on China's behalf; stolen U.S. trade secrets; or provided financial or other support for such theft, or benefitted from such theft.

6. Division F is broad and focuses on domestic initiatives. This portion of the bill funds STEM programs in K-12 schools and institutions of higher education, updates merger filing fees for the first time since 2001, and requires the USDOC to work with other government agencies to study entrepreneurship.

Note: Separately, the Standing Committee of China's National People's Congress voted to pass the Anti-Foreign Sanctions Law on June 10, which is seen as Beijing's response to USICA. How the two countries will use relevant laws to constrain each other in the future will be the new focus of the trade challenges between the United States and China.

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