

INTELLECTUAL PROPERTY INTRICACIES OF GOVERNMENT FUNDING AGREEMENTS (INCLUDING BEST PRACTICES FOR MAINTAINING OWNERSHIP OF YOUR INVENTIONS UNDER THE BAYH DOLE ACT)

Presented to the Idaho State Bar
June 21, 2018

by David Fonda



OVERVIEW

- Brief background of the Bayh Dole Act
- What's required by companies who create inventions with government funding
- The penalty for non-compliance
- Fixing issues of past non-compliance
- Recent Amendments and their Affect on Compliance Strategies
- Best Practices moving forward for being compliant
- Questions

GENESIS OF THE BAYH DOLE ACT

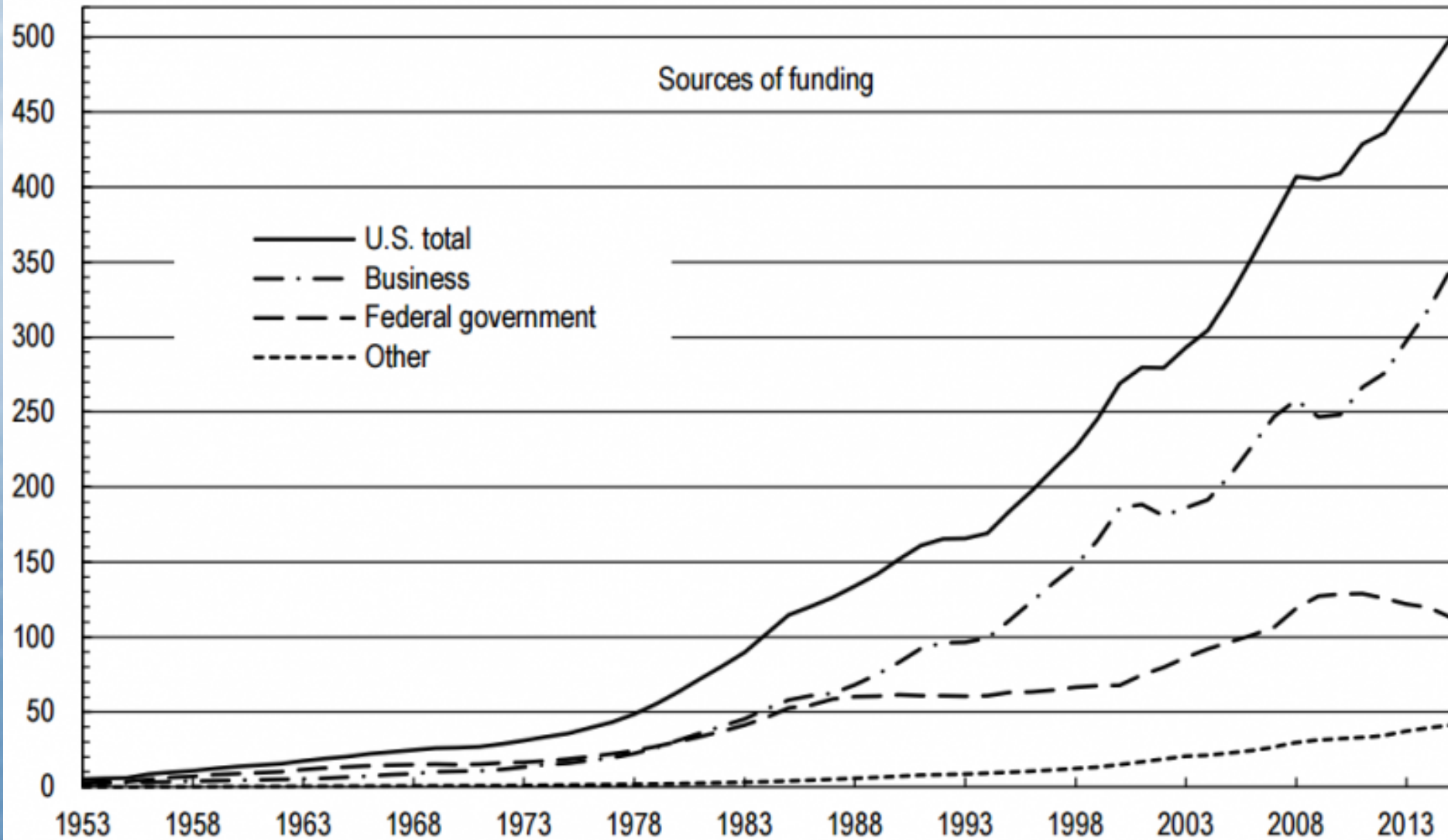
- The Manhattan project – technology will solve all our problems
- Government starts spending \$billions a year on government sponsored R&D
- By 1980, the federal government held title to approximately 28,000 patents
- The Problem:
 - Inventions are owned by federal government with no ability by the private sector to exclusively license them
 - No private sector funding = no technology being commercialized = no benefit of the technology to society
- The Solution: the Bayh Dole Act

THE BAYH DOLE ACT

- Decentralized control of federally funded inventions
- Universities, small business, or non-profit institutions can own inventions in preference to the government
- 1983 “Memorandum to the Heads of Executive Departments and Agencies: Government Patent Policy,” extends ownership of government-funded inventions to all grantees and contractors
 - Three exceptions for large business entities - DOE, NASA and NRC

FIGURE 1. U.S. R&D, by performing sectors and source of funding: 1953–2015

Current dollars (billions)



THE BAYH DOLE ACT CITATIONS

- Officially known as Patent and Trademark Law Amendments Act ([Pub. L. 96-517](#), December 12, 1980)
 - This law amended Title 35 USC, by adding Chapter 18, Section 200-212
- The Act is implemented by 37 C.F.R. 401
- 37 CFR 401.14 contains the standard patent rights clauses to be incorporated into your Government Funding Agreement which contain the obligations and requirements for inventions under your client's government Grant

REGULATIONS DEALING WITH THE BAYH DOLE EXCEPTIONS

(FUNDING OF LARGE ENTITIES BY DEPARTMENT OF ENERGY; NASA; NUCLEAR REGULATORY COMMISSION)

- Patent Waivers – 10 CFR 784.12
- <https://energy.gov/gc/services/technology-transfer-and-procurement/office-assistant-general-counsel-technology-transf-1>
- Other regulations to be aware of:
 - 48 CFR 52.227-11 FAR clause for Patent Rights – Ownership by the Contractor
 - 48 CFR 252.227-7038 DFARS clause for Patent Rights – Ownership by the Contractor

IN A NUTSHELL

If your client is a small business, a large business receiving government funding from other than the DOE, NASA, or NRC, or a large business that receives government funding from the DOE, NASA, or NRC and has applied for and received a Government Waiver,

THEN

It owns its *subject inventions* subject to:

- 1) the Government having a nonexclusive, nontransferable, irrevocable, paid-up license to practice, or have practiced for or on its behalf, the subject invention throughout the world;
- 2) the Government having March-in rights;
- 3) the requirement that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States (US Preference Clause); and
- 4) FOR WAIVER RECIPIENTS, the requirement that any products embodying any waived invention or produced through the use of any waived invention will be manufactured substantially in the United States (US Competiveness Clause)

...

IN A NUTSHELL CONT.

And your client the contractor may keep ownership in the invention

SO LONG AS

- 1) It discloses in writing each subject invention (made in the performance of work under the contract) to the Contracting Officer within 2 months;
- 2) It elects title in writing to retain ownership of any subject invention;
- 3) It files either a provisional or a nonprovisional patent application or a Plant Variety Protection Application on an elected subject invention within 1 year after election;
- 4) It notifies the Contracting Officer of any decisions not to file or prosecute a patent application or to no longer maintain a patent;
- 5) It includes within the specification of any United States patent application the appropriate government support clause; and
- 6) It files subject invention utilization report and other requested reports.

DEFINITIONS

- A “small business” for the purpose of federal contracting is defined by the Small Business Administration regulations using the [North American Industry Classification System \(NAICS\)](#) that best describes the goods or services that are going to be procured. (See 13 CFR Part 121).
 - For most industries the cutoff number of employees (including affiliates) is 500.
- The term “[subject invention](#)” means any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement. (in the case of a variety of plant, the date of determination (as defined in section 41(d) [\[1\]](#) of the Plant Variety Protection Act ([7 U.S.C. 2401\(d\)](#))) must also occur during the period of contract performance. (See 35 USC Section 201(e)).
- “Subject Inventions” examples:
 - (a) where a technology is conceived and developed at private expense, but the private party takes Government funding to simulate or demonstrate the technology in its first actual reduction to practice,
 - (b) where an invention is conceived while a private party is performing under Government funding, but all development and reduction to practice is accomplished at private expense, and
 - (c) in situations falling between these extremes.

OBLIGATIONS SUMMARY- INVENTION “MUST DOS”

- 1) disclose the invention
- 2) elect title
- 3) timely file patent applications
- 4) report decisions to stop pursuing patents
- 5) government support clause in your patent application
- 6) file utilization reports, and file any other requested reports

AND ALWAYS ALWAYS ALWAYS CHECK THE LANGUAGE OF THE FUNDING AGREEMENT!!!

CONSEQUENCES FOR NON-COMPLIANCE

- The Government can request title to any subject invention in any country in which the Contractor decides not to continue the prosecution of any application for, to pay the maintenance fees on, or defend in reexamination or opposition proceeding on, a patent on a subject invention. 10 CFR 784-12(d)(4) and 48 CFR 52.227-11(d)(1)(iii)
- The Government can also request title if you were fraudulent in your request for a patent Waiver. 10 CFR 784-12(d)(4)

THE BIGGIE

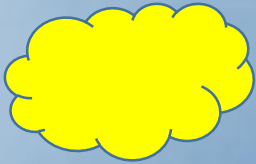
- The penalty for not doing 1, 2, or 3 on the Must Do list for any grantee, (or 6 for grantees that received ownership through the waiver process), is that **the Government can request title to the invention**, which means they get the patent as well. 10 CFR 784-12(d)(1)-(3) and 48 CFR 52.227-11(d)(1)(i) and (ii).

DON'T MISS THE POINT

- “I have been doing this for 20 years now and have not had any problems in this regard, though I have heard “rumors” that this can be an issue. Do you have any relevant evidence that this actually ever happens? I have never heard of a case where the funding agency lays claim to a technology.”
 - Campbell Plastics Eng’g & Mfg., Inc. v. Brownlee, 389 F.3d 1243 (Fed. Cir. 2004)
 - L-3 Communications Corporation v. Jaxon Engineering & Maintenance, Inc., 125 F. Supp. 3d 1155 (D. Colo. 2015).
- The question this company should have been asking is not “*will* the Government claim title to my invention” but rather, “will the prospective investor or buyer of my company believe the government *can*”.
- The price of the patent assignment, company sale, or investment amount is adversely affected by the *possibility* of government title claim, not just the *probability*.
- Buyers/Investors raise this issue all the time.

IP OWNERSHIP CLOUD MATH

$$\text{IP} = \$\$$$



$$\text{IP} = \$\$/x$$

You can't argue the existence of an IP ownership cloud that is statutorily created, only how big the cloud is. But no matter how big the cloud is, when it's discovered, the original asking price for the company, investment request, or license royalty becomes a fraction of itself.

DISCOVERING THE NONCOMPLIANCE (INVENTION AUDITS)

- Step 1. Determine what, if any, inventions were conceived or reduced to practice under each government contract.
 - Start with the scientists.
 - The technical lead/principal investigator (PI) will be listed on the face of the government grant.
 - Then determine together whether an invention was conceived or reduced to practice in whole or in part with government funds.
 - Search your client's patents and applications on the USPTO database.
 - Search for the Statement of Government Support language.
 - Search for key words that are in the title of the contract.

United States Department of Agriculture
National Institute of Food and Agriculture
AWARD FACE SHEET

1. Award No. 2012-10008-20263		Amendment No.		2. Proposal Number 2012-03970		3. Period of Performance 09/01/2012 through 08/31/2015		4. Type of Instrument Grant					
5. Type of Action New		6. CFDA Number 10.312		7. CAN		8. MO		9. Method of Payment ASAP 10008202631000812000					
								10. CRIS Number 0231088					
11. Authority: 7 U.S.C. 8606, Sec. 9008 of P.L. 110-246, Biomass Research and Development													
12. Agency (Name and Address) Awards Management Division National Institute of Food and Agriculture/USDA Washington, DC 20250-2271						13. Awardee Organization [REDACTED] Salt Lake City, UT 84119-1517							
14. Program Point of Contact: Carmela Bailey Telephone: 202-401-6443 cbailey@nifa.usda.gov			Administrative Point of Contact: Darlene Brown Telephone: 202-401-4189 dmbrown@nifa.usda.gov			15. Project Director/Performing Organization [REDACTED] Salt Lake City, UT 84119-1517							
16. Funding:					17. Funds Chargeable								
		<u>Federal</u>		<u>Non-Federal</u>		<u>FY - FDC</u>		<u>Amount</u>		<u>FY - FDC</u>		<u>Amount</u>	
Previous Total		\$0.00		\$0.00		[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]	
+ or -		[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]	
Total		[REDACTED]		[REDACTED]		09-950-10001		[REDACTED]		[REDACTED]		[REDACTED]	
Grand Total		[REDACTED]		[REDACTED]		09-950-10001		[REDACTED]		[REDACTED]		[REDACTED]	
18. Title of Proposal Lignocellulosic Biomass Conversion to Infrastructure Compatible Fuel, Products and Power													
PROVISIONS													
<p>This Award incorporates the following:</p> <ol style="list-style-type: none"> Bio-mass Research & Development Initiative Program Specific Terms and Conditions (4/2011) at: http://www.nifa.usda.gov/business/awards/awardterms.html Research Terms and Conditions (06/11) and NIFA Agency Specific Terms and Conditions (05/12) at: http://www.nifa.usda.gov/business/awards/awardterms.html The referenced proposal and any revision thereto - incorporated by reference 7 CFR Part 3015, 7 CFR Part 3017, 7 CFR Part 3018, 7 CFR Part 3019, 7 CFR 3430 - incorporated by reference (http://www.nifa.usda.gov/business/awards/fedregulations.html) The Approved Award Budget CRIS Forms AD-416 and AD-417 - incorporated by reference The obligation of funds may be terminated without further cause unless the recipient commences the timely drawdown of funds; initial drawdown must be made within the first year of the project. Form AD-1048 or other NIFA approved format must be completed by the approved subawardee(s)/consultant(s) and returned to the recipient for retention in the official award file. It is not necessary to send a copy to NIFA. (http://www.nifa.usda.gov/funding/all_forms.html) Twenty percent matching is required for this award. Required matching for this award is 1,649,826 based on the submitted proposal. All matching must directly benefit and be specifically identifiable with approved project objectives. The awardee is required to maintain complete, accurate, up-to-date records to support all matching activities under the award. Matching requirements may not be satisfied with Federal funds or with property or services provided under another Federal assistance award. Grantee agrees to provide cost-sharing in the total amount of \$1,649,826. Estimated annual amounts of cost sharing are: Year 1 \$517,683, Year 2 \$560,647, Year 3 \$571,496. Grantee must submit Form SF-425 annually to NIFA to report cost-sharing. Financial Form SF-425a (http://www.whitehouse.gov/omb/grants_forms) The Project Director is required to attend the annual Project Director's workshop/conference as stipulated in the RFA. 48 CFR Part 31 [Federal Acquisition Regulations] - incorporated by reference (http://www.nifa.usda.gov/business/awards/fedregulations.html) <p>Co-Project Director(s):</p>													

- Step 2. For each subject invention under each contract, determine whether the “must dos” were done.
 - Most reporting is now done through the IEdison system and you can check what has been submitted for each reported invention.
 - Check your submitted reports and emails for indications and evidence that requirements were fulfilled.

DOCUMENT DOCUMENT DOCUMENT

FIXING THE NON-COMPLIANCE

Tip 1) Use the resources of the agency that granted the funding

- They don't want your IP, they want a story to tell
- Contact them and ask them what to do
- DOCUMENT DOCUMENT DOCUMENT

Tip 2) Disclose missed deadlines.

- FOR SMALLBUSINESS, the patent clause provides **used to provide**:

If the *contractor* fails to disclose or elect title to the subject invention within the times specified in (c), above, or elects not to retain title; *provided that the agency may only request title **within 60 days** after learning of the failure of the contractor to disclose or elect within the specified times.*

- As of May 14, 2018 these regulations have been amended to remove the “within 60 days” line for future grants.
- THIS DOES NOT APPEAR IN THE LARGE BUSINESS PATENT CLAUSE

The large business patent clause simply states, “he Contractor shall assign to the agency, upon written request, title to any [subject invention](#)”

CHANGES TO BAYH DOLE REGULATIONS

- Secretary of Commerce revisited the Bayh-Dole Act to determine whether it needed updating in light of the recent changes in patent laws under the America Invents Act.
- Proposed changes to the regulations were published in the Federal Register in November 2016 with a request for public comment.
- Changes went into effect on May 14, 2018. See <https://www.federalregister.gov/documents/2018/04/13/2018-07532/rights-to-federally-funded-inventions-and-licensing-of-government-owned-inventions>
- One important change was the removal of the 60-day time during which the government can request title after learning of an unreported or unelected invention.
- Applies to future grants.
- If the initial disclosure and election of title requirements are not timely met, the government has the opportunity to request, at any time, title to the invention and any associated patent rights. Consequently, a cloud on the title to the patent rights may be permanently present if the initial disclosure or election was not timely made.
- Now would be a good time to determine any non-compliance issues (especially the invention “must-dos”) and to utilize the self-disclosure strategies for existing grants.

Tip 3) Request an extension of time.

- **52.227-11 (c)(4)** "The Contractor may request extensions of time for disclosure, election, or filing under paragraphs (c)(1), (c)(2), and (c)(3) of this clause."
- The retroactive request for an extension of time.
- Absent extreme prejudice to the government agency, these are typically granted

Tip 4) Statement or Letter of Good Standing

- There is no specific regulation for this, but it's a highly useful tool that I've found to be very effective.
- Be specific in your request.
 - Identify the contract, the invention, and the details of what you want, which is a statement that you've complied with all of the "must dos" .

The more specific the request, the better the Letter of Good Standing will be, and the better the documentation will be that removes the cloud from the title.



November 20, 2015

David Fonda
Patent Counsel
Ceramatec, Inc.
2425 South 900 West
Salt Lake City, UT 84119

SUBJECT: Letter of Good Standing for Identified Subject Invention Made Under DOE
Agreement DE-FG07-04ID14622

This Letter of Good Standing is issued in response to a request for a Certificate of Good Standing received from Ceramatec, Inc. (Ceramatec) on December 5, 2014, for an identified Subject Invention.

Upon a review of our files related to the Subject Invention identified below, DOE confirms that as of the date of this letter, Ceramatec has met all of the terms and conditions required by the patent clause and applicable confirmatory license and has properly elected title to the Subject Invention identified in Appendix A. DOE also confirms that as of the date of this letter Ceramatec has been fully compliant in meeting its requirement to submit any requested periodic reports on the utilization of any Subject Invention that may be required.

Therefore, to the best of our knowledge, DOE is unaware of any current impediment to Ceramatec's transfer of rights in the identified Subject Invention specified in Appendix A to Field Upgrading (a Canadian Company). Ceramatec does not need the consent of DOE to assign the identified Subject Invention to Field Upgrading, however, the identified Subject Invention is, and will continued to be, subject to various terms and conditions including DOE's Government license, and march-in-rights, and provisions set for in 35 U.S.C 202-204.

If you have any further questions or concerns please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be "JFZ".

Deputy Chief Counsel
Intellectual Property Law Division
U.S. Department of Energy
Integrated Support Center-Chicago Office

MOVING FORWARD - TIPS TO AVOID CREATING AN OWNERSHIP CLOUD OVER IP CREATED BY YOUR CLIENTS R&D

Tip 1) Periodically conduct invention audits.

Tip 2) Distinguish and Separate Government-Funded R&D from your own internal R&D

- Lab Notebook Policies and Procedures
- Timecard Policies and Procedures
- Educate PIs on the importance of staying within the Funding Agreement Statement of Work
- Don't invoice the government for work performed that is outside the specific Statement of Work

Tip 3) If you're the prime recipient, control the drafting of subcontracts to partners or sub-awardees

- You know the required flow downs
- Make your compliance to the Prime Award be an obligation to the sub-awardee

The National Science Foundation Study Found that 2 of the most common sources of compliance problems are:

- Failing to ensure that subrecipient and subcontractor agreements “flow-down” all required terms
- Failing to ensure that required reports are accurate and submitted on time

Your relationship with the Awarding Agency is crucial to landing that Phase II funding (millions vs thousands)!

- Tip 4) Have the right internal policies and procedures in place.

-Have an employee assignment policy and procedure.

- It's a Bayh Dole requirement. 48 CFR 52.227-11(e)(2)
- General assignment of Government-Funded inventions. "I hereby assign", never "I agree to assign"

(See, Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc., 563 U.S. ___, 180 L. Ed. 2d 1, 2011 U.S. Lexis 4183 (June 6, 2011))

- Employees always assign (again) the specific invention
- Have new hires reveal their pre-existing inventions and assignments and deal with those

-Have comprehensive internal invention disclosure policies and procedures

“The Contractor shall require, by written agreement, its employees, other than clerical and nontechnical employees, to disclose promptly in writing to personnel identified as responsible for the administration of patent matters and in the Contractor's format, each [subject invention](#) in order that the Contractor can comply with the disclosure provisions of paragraph (c) of this clause”. . . . The disclosure format should require, as a minimum, the [information](#) required by paragraph (c)(1) of this clause. The Contractor shall instruct such [employees](#), through [employee](#) agreements or other suitable educational programs, as to the importance of reporting [inventions](#) in sufficient time to permit the filing of patent applications prior to U.S. or foreign statutory bars. 48 CFR 52.227-11(e)(2)

- Identify the source of funding
- Sufficiently describe invention
 - Tell them how to do it
- Trigger docketing deadlines and reminders
 - Government invention disclosure
 - Election of title
 - Filing of patents
 - Other Bayh Dole obligations
- Educate on the timely reporting of inventions
- Meet regularly with the technology developers

-Have Visitor Policies and Procedures

- Sufficient enough to withstand trade secret challenge
- Protect against unintentional disclosure of confidential data
- Safety
- Educate on interaction with outsiders

-Have an ITAR and EAR Policy

- Does your technology fall within the Munitions List or the Commerce Control List?
- Are any of your scientists foreign nationals?
- ITAR/EAR License or Sequestration

-Have a Conflicts of Interest Policy

- Most Funding Agreement require one

MOST FREQUENT ADVERSE GOVERNMENT AUDITOR FINDINGS (NATIONAL SCIENCE FOUNDATION STUDY):

- Policies and procedures inadequate or absent: 24%
- Lack of source documentation to support costs: 18%
- Inadequate system to track, manage, or account for costs and/or assets: 14%
- Unallowable costs: 7%
- Lack of proper approval, certification, or authorization: 6%
- Lack of subrecipient monitoring: 6%
- Inadequate or absent project or technical report: 6%
- Reconciliations inadequate or not performed: 4%
- Inadequate or absent financial report or proposal: 4%
- Costs claimed exceed amounts or rates allowed by award provisions or Federal regulations: 4%
- Lack of segregation of duties: 4%

QUESTIONS

- **(c) Invention Disclosure, Election of Title and Filing of Patent Application by Contractor**
- **(1)** The **contractor** will disclose each [subject invention](#) to the *Federal Agency* within two months after the inventor discloses it in writing to *contractor* personnel responsible for patent matters. The disclosure to the agency shall be in the form of a written report and shall identify the *contract* under which the [invention](#) was made and the inventor(s). It shall be sufficiently complete in technical detail to convey a clear understanding to the extent known at the time of the disclosure, of the nature, purpose, operation, and the physical, chemical, biological or electrical characteristics of the [invention](#). The disclosure shall also identify any publication, on sale or public use of the [invention](#) and whether a manuscript describing the [invention](#) has been submitted for publication and, if so, whether it has been accepted for publication at the time of disclosure. In addition, after disclosure to the *agency*, the *Contractor* will promptly notify the *agency* of the acceptance of any manuscript describing the [invention](#) for publication or of any on sale or public use planned by the *contractor*.
- **(2)** The **Contractor** will elect in writing whether or not to retain title to any such [invention](#) by notifying the *Federal agency* within two years of disclosure to the *Federal agency*. However, in any case where publication, on sale or public use has initiated the one year statutory period wherein valid patent protection can still be obtained in the United States, the period for election of title may be shortened by the *agency* to a date that is no more than 60 days prior to the end of the statutory period.
- **(3)** The **contractor** will file its [initial patent application](#) on a [subject invention](#) to which it elects to retain title within one year after election of title or, if earlier, prior to the end of any statutory period wherein valid patent protection can be obtained in the United States after a publication, on sale, or public use. The *contractor* will file patent [applications](#) in additional countries or international patent offices within either ten months of the corresponding [initial patent application](#) or six months from the date permission is granted by the Commissioner of Patents and Trademarks to file foreign [patent applications](#) where such filing has been prohibited by a Secrecy Order.
- **(4)** Requests for extension of the time for disclosure, election, and filing under subparagraphs (1), (2), and (3) may, at the discretion of the **agency**, be granted.

- **(d) Conditions When the Government May Obtain Title**

- The *contractor* will convey to the *Federal agency*, upon written request, title to any [subject invention](#) -
- **(1)** If the ***contractor*** fails to disclose or elect title to the [subject invention](#) within the times specified in (c), above, or elects not to retain title; provided that the *agency* may only request title within 60 days after learning of the failure of the *contractor* to disclose or elect within the specified times.
- **(2)** In those countries in which the ***contractor*** fails to file [patent applications](#) within the times specified in (c) above; provided, however, that if the *contractor* has filed a [patent application](#) in a country after the times specified in (c) above, but prior to its receipt of the written request of the *Federal agency*, the *contractor* shall continue to retain title in that country.
- **(3)** In any country in which the ***contractor*** decides not to continue the prosecution of any application for, to pay the maintenance fees on, or defend in reexamination or opposition proceeding on, a patent on a [subject invention](#).

- **(e) Minimum Rights to *Contractor* and Protection of the *Contractor* Right to File**
- **(1)** The ***contractor*** will retain a nonexclusive royalty-free license throughout the world in each [subject invention](#) to which the Government obtains title, except if the *contractor* fails to disclose the [invention](#) within the times specified in (c), above. The *contractor's* license extends to its domestic subsidiary and affiliates, if any, within the corporate structure of which the *contractor* is a party and includes the right to grant sublicenses of the same scope to the extent the *contractor* was legally obligated to do so at the time the *contract* was awarded. The license is transferable only with the approval of the *Federal agency* except when transferred to the successor of that party of the *contractor's* business to which the [invention](#) pertains.
- **(2)** The ***contractor's*** domestic license may be revoked or modified by the *funding Federal agency* to the extent necessary to achieve expeditious [practical application](#) of the [subject invention](#) pursuant to an application for an exclusive license submitted in accordance with applicable provisions at [37 CFR part 404](#) and *agency* licensing regulations (if any). This license will not be revoked in that field of use or the geographical areas in which the *contractor* has achieved [practical application](#) and continues to make the benefits of the [invention](#) reasonably accessible to the public. The license in any foreign country may be revoked or modified at the discretion of the *funding Federal agency* to the extent the *contractor*, its licensees, or the domestic subsidiaries or affiliates have failed to achieve [practical application](#) in that foreign country.
- **(3)** Before revocation or modification of the license, the ***funding Federal agency*** will furnish the *contractor* a written notice of its intention to revoke or modify the license, and the *contractor* will be allowed thirty days (or such other time as may be authorized by the *funding Federal agency* for good cause shown by the *contractor*) after the notice to show cause why the license should not be revoked or modified. The *contractor* has the right to appeal, in accordance with applicable regulations in [37 CFR part 404](#) and *agency* regulations (if any) concerning the licensing of Government-owned inventions, any decision concerning the revocation or modification of the license.

- **(f) Contractor Action to Protect the Government's Interest**
- **(1)** The **contractor** agrees to execute or to have executed and promptly deliver to the *Federal agency* all instruments necessary to (i) establish or confirm the rights the Government has throughout the world in those subject [inventions](#) to which the *contractor* elects to retain title, and (ii) convey title to the *Federal agency* when requested under paragraph (d) above and to enable the government to obtain patent protection throughout the world in that [subject invention](#).
- **(2)** The **contractor** agrees to require, by written agreement, its employees, other than clerical and nontechnical employees, to disclose promptly in writing to personnel identified as responsible for the administration of patent matters and in a format suggested by the *contractor* each [subject invention](#) made under *contract* in order that the *contractor* can comply with the disclosure provisions of paragraph (c), above, and to execute all papers necessary to file [patent applications](#) on [subject inventions](#) and to establish the government's rights in the [subject inventions](#). This disclosure format should require, as a minimum, the information required by (c)(1), above. The *contractor* shall instruct such employees through employee agreements or other suitable educational programs on the importance of reporting [inventions](#) in sufficient time to permit the filing of [patent applications](#) prior to U.S. or foreign statutory bars.
- **(3)** The **contractor** will notify the *Federal agency* of any decisions not to continue the prosecution of a [patent application](#), pay maintenance fees, or defend in a reexamination or opposition proceeding on a patent, in any country, not less than thirty days before the expiration of the response period required by the relevant patent office.
- **(4)** The **contractor** agrees to include, within the specification of any United States [patent applications](#) and any patent issuing thereon covering a [subject invention](#), the following statement, “This [invention](#) was [made](#) with government support under (identify the *contract*) awarded by (identify the Federal agency). The government has certain rights in the [invention](#).”

- **(g) Subcontracts**
- **(1)** The **contractor** will include this clause, suitably modified to identify the parties, in all subcontracts, regardless of tier, for experimental, developmental or research work to be performed by a [small business firm](#) or domestic [nonprofit organization](#). The subcontractor will retain all rights provided for the **contractor** in this clause, and the **contractor** will not, as part of the consideration for awarding the subcontract, obtain rights in the subcontractor's subject inventions.
- **(2)** The **contractor** will include in all other subcontracts, regardless of tier, for experimental developmental or research work the patent rights clause required by (*cite section of agency implementing regulations or FAR*).
- **(3)** In the case of subcontracts, at any tier, when the prime award with the Federal agency was a contract (but not a grant or cooperative agreement), the **agency**, subcontractor, and the [contractor](#) agree that the mutual obligations of the parties created by this clause constitute a contract between the subcontractor and the Federal agency with respect to the matters covered by the clause; provided, however, that nothing in this paragraph is intended to confer any jurisdiction under the Contract Disputes Act in connection with proceedings under paragraph (j) of this clause.

- **(h) Reporting on Utilization of Subject Inventions**

- The *Contractor* agrees to submit on request periodic reports no more frequently than annually on the utilization of a subject [invention](#) or on efforts at obtaining such utilization that are being [made](#) by the *contractor* or its licensees or assignees. Such reports shall include information regarding the status of development, date of first commercial sale or use, gross royalties received by the [contractor](#), and such other data and information as the *agency* may reasonably specify. The *contractor* also agrees to provide additional reports as may be requested by the *agency* in connection with any march-in proceeding undertaken by the *agency* in accordance with paragraph (j) of this clause. As required by [35 U.S.C. 202\(c\)\(5\)](#), the *agency* agrees it will not disclose such information to persons outside the government without permission of the *contractor*.

- **(i) Preference for United States Industry**

- Notwithstanding any other provision of this clause, the *contractor* agrees that neither it nor any assignee will grant to any person the exclusive right to use or sell any [subject inventions](#) in the United States unless such person agrees that any products embodying the [subject invention](#) or produced through the use of the [subject invention](#) will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the *Federal agency* upon a showing by the *contractor* or its assignee that reasonable but unsuccessful efforts have been [made](#) to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

- **(j) March-in Rights**

- The *contractor* agrees that with respect to any [subject invention](#) in which it has acquired title, the *Federal agency* has the right in accordance with the procedures in [37 CFR 401.6](#) and any supplemental regulations of the *agency* to require the *contractor*, an assignee or exclusive licensee of a [subject invention](#) to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the *contractor*, assignee, or exclusive licensee refuses such a request the *Federal agency* has the right to grant such a license itself if the *Federal agency* determines that:
 - **(1)** Such action is necessary because the ***contractor*** or assignee has not taken, or is not expected to take within a reasonable time, effective steps to achieve [practical application](#) of the [subject invention](#) in such field of use.
 - **(2)** Such action is necessary to alleviate health or safety needs which are not reasonably satisfied by the ***contractor***, assignee or their licensees;
 - **(3)** Such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the ***contractor***, assignee or licensees; or
 - **(4)** Such action is necessary because the agreement required by paragraph (i) of this clause has not been obtained or waived or because a licensee of the exclusive right to use or sell any [subject invention](#) in the United States is in breach of such agreement.

DATA RIGHTS

- Technical Data means recorded information of a scientific or technical nature -FAR Section 2.101
- Computer Data means computer programs and recorded information that enable the program to work) -FAR Section 2.101
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The applicable data rights clauses (including those in the FAR and its agency supplements) do not address whether the Government gets title to such information, but rather provide for a license to use. Under these clauses, as a general rule, the contractor owns technical data and computer software produced with federal funds, and the Government gets a royalty-free nonexclusive license, unlimited in scope, to use it.