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What To Avoid When Patenting Government-Funded Inventions

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Under the Bayh-Dole Act, a small business can patent an invention made with federal funding. But if the small business doesn't properly notify the government about the invention, then the government can take title to the patent or patent application. Worse, if takes title, the government does not have to license the patent to the small business. In some circumstances, the government can even take title to inventions conceived outside the scope of the funding agreement. Here, we review pitfalls and how to avoid them when electing title to a patent or patent application on an invention made with government funding.[1] We also identify some steps for identifying and mitigating the risk that the government will take title if the invention hasn't been properly reported.


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The Bayh-Dole Act is supposed to encourage small businesses to pursue federally funded research.[2] It is also supposed to promote the commercialization of that research by enabling small businesses to take title to "subject inventions" made in the course of that research.[3] To take title, a small business must (1) disclose the invention to the funding agency[4]; (2) within two years of disclosing the invention, make a written election to the funding agency to retain title[5]; and (3) file a patent application on the invention.[6] If the small business fails to disclose, elect title to, or file a patent application on the subject invention in a timely fashion, then the government can receive title to the subject invention.[7]

"Subject Inventions" Under the Bayh-Dole Act


Chip Purcell

Although the process for electing title in a government-funded invention seems straightforward, several potential pitfalls exist. The first pitfall lies in the definition of "subject invention." Under 35 U.S.C. § 201(e), "[t]he 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."[8] Thus, the government may receive title to an invention that is first reduced to practice under the funding agreement, even if the invention was conceived or constructively reduced to practice before the funding agreement started.[9] In other words, the government could even take title to a patent or patent application that was filed before the funding agreement started if the invention being patented is actually reduced to practice for the first time under the funding agreement.

The nature and scope of the funding agreement can also cause problems. In several cases, the courts

have interpreted the statement of work liberally enough to give the government paid-up licenses in inventions that the contractors believed were made outside the scope of the funding agreements.[10] The courts have also found that commingling government work with private work can lead to a government license in inventions made as part of the private work.[11]

Disclosing and Electing Title to a Subject Invention

Generally, each federal funding agreement spells out specific requirements for disclosing and electing title to a subject invention. A typical federal funding agreement incorporates a federal regulation that specifies the exact period for disclosing subject inventions to the funding agency. For awards governed by the "standard patent rights clauses"[12] or the Federal Acquisition Regulation,[13] the period is two months after the inventor discloses it in writing to the small business personnel responsible for patent matters. The funding agreement may also specify exactly how the small business should disclose and elect rights in the subject invention (e.g., using a specific form, like DD Form 882).

The government has taken title from at least one contractor for failing to disclose and elect a subject invention properly. In Campbell Plastics v. Brownlee, 389 F.3d 1243 (Fed. Cir. 2004), Campbell Plastics contracted with the Army to develop an aircrew protective mask. The president of Campbell Plastics faxed drawings of the new mask to the Army, but did not disclose the patent application on the mask to the Army until after the patent had issued and long after the time periods set in the contract had passed. After learning of the patent, the Army determined that Campbell Plastics had forfeited title to the patent by failing to elect title using the forms and timing specified by the contract. Campbell Plastics appealed the Army's decision to the Federal Circuit, which upheld the Army's decision because Campbell Plastics had not complied with the procedures specified by the contract.

Complying With Title Election Requirements

Despite the pitfalls associated with patenting government-funded inventions, it's still possible to patent inventions made using federal funding. Here are a few steps that a small business can take to secure patent protection on government-funded inventions and retain patent rights on other work:

- Exclude all inventions conceived before the project starts from being subject inventions under the funding agreement;
- List all patents and patent applications filed before the project starts as company-owned "background intellectual property" in the funding agreement;
- Segregate other work from the government-funded work to prevent inventions made with other funds from becoming subject inventions under the funding agreement;
- Ask inventors for regular written reports on potential subject inventions at regular intervals;
- Disclose and elect title to subject inventions at regular (e.g., three- or six-month) intervals using the forms specified under the funding agreement;

- File any patent applications on the subject inventions within the time periods specified under the funding agreement and the relevant statues; and

- Obtain and record assignments from the inventor(s) to the small business for the patent application(s) as soon as possible.

Most of these steps are useful in any patent procurement process and in forming and performing private joint development agreements as well.

If the small business hasn't disclosed and elected title properly to a patent on an invention produced with government funds, then it may have trouble licensing, selling or enforcing the patent because of the government's outstanding rights. Fortunately, the standard patent rights clause and the FAR both limit the government's ability to request title to a patent or patent application on a subject invention.[14] To acquire title, the government must make a written request to the small business within 60 days of learning about the small business's failure to disclose or elect rights to the subject invention.[15] Unfortunately, it's not clear exactly what triggers this 60-day period.

Identifying and Mitigating Risk after the Project Is Over

The safest way to secure title in a patent on an invention produced with government funds is to disclose and elect title to the invention in accordance with the funding agreement. Consider reviewing the status of government-funded inventions upon completion of the funding agreement. If this review turns up any unreported inventions, they should be reported to the funding agency as soon as possible to limit the government's ability to elect title. Sending a follow-up message to the funding agency saying that the 60-day election period has ended may circumscribe future attempts by the funding agency to take title.

Performing a similar review before or during due diligence may also reduce the risk that the funding agency will take title to unreported or improperly reported government-funded inventions. If government contracts, government grants or patents or patent applications with "government support" statements turn up during due diligence, verify that all subject inventions have been properly reported to the funding agency. This is especially important because the government may even be able to take title from another entity that buys the patents or patent applications from the company.

If the other entity properly records an assignment for the patents and patent applications, it may try to rely on the recorded assignment to nullify any government attempt to take title.[16] But recordation is only effective against "[a]n interest that constitutes an assignment, grant, or conveyance,"[17] and it's not clear that the government's interest under the Bayh-Dole Act falls into one of these categories. Even if the government's interest is an assignment, grant or conveyance, the government may still be able to take title if it acts less than three months after the other entity records the assignment.[18] To reduce this risk, consider reporting any unreported inventions to the funding agency as soon as possible and sending a follow-up message to the funding agency 60 days later.

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[1] For a much more comprehensive review, see Ralph C. Nash, Jr., and Leonard Rawicz, "Intellectual Property in Government Contracts," Wolters Kluwer, 6th ed., 2008, 1448 pp.

[2] See 35 U.S.C. § 200.

[3] Id.

[4] 35 U.S.C. § 202(c)(1).

[5] 35 U.S.C. § 202(c)(2). If the 1-year grace period for filing a patent application after a public disclosure would end before the 2-year period for electing title, the funding agency may shorten the period for electing title.

[6] 35 U.S.C. § 202(c)(3).

[7] 35 U.S.C. §§ 202(c)(1), (2), and (3).

[8] Emphasis added.

[9] See, e.g., Hazeltine Corp. v. United States, 820 F.2d 1190 (Fed. Cir. 1987); Rosen v. NASA, 152 U.S.P.Q. 757 Bd. Pat. Int. 1966; McDonnell Douglas Corp. v. United States, 670 F.2d 156, 214 (1982); and Scanwell Labs, Inc. v. Dep't of Transportation, 176 U.S.P.Q. 380 (E.D. Va 1973).

[10] See, e.g., Mine Safety Appliances Co. v. United States, 364 F.2d 385 (1966); Technitrol, Inc. v. United States, 440 F.2d 1362 (1971); and Kersavage v. United States, 36 Fed. Cl. 441 (1996).

[11] See, e.g., Pacific Technica Corp. v. United States, 825 F.2d 871 (Fed. Cir. 1987) and Dep't of Energy v. Szulinksi, 673 F.2d 385 (C.C.P.A. 1982).

[12] 37 C.F.R. § 401.14(c)(1).

[13] 48 C.F.R. § 52.227-11.

[14] 37 C.F.R. § 401.14(d)(1) and 48 C.F.R. § 52.227-11(d)(i).

[15] Id.

[16] 35 U.S.C. § 261 ("An interest that constitutes an assignment, grant, or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.").

[17] Id.

[18] Id.

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