

**Case Study
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The government lab and the contractor entered into an SBIR contract that included a performance specification. During discussions leading up to the award the lab engineers described the problem along with some conceptual approaches. The contract contained the standard terms and conditions including an SBIR Data Rights Clause and a Patent Rights Clause.

After two years into contract performance, the contractor and lab supervisor felt that they should proceed to patent a training weapon modification that resulted from the effort. During discussions the contractor demanded that it would only give “inventorship” credit to the Government employee if the Government agreed to assign all of its rights in the invention to the contractor leaving no rights to the Government.

As the discussions progressed things got downright nasty. The contractor claimed that giving the government rights in the invention would damage its “commercial markets” because to the contractor the Government was its primary commercial market. The lab supervisor’s primary goal was to allow His scientists to receive credit and acknowledgement for the invention. But, now he became concerned with the ability of the Government to exercise its rights in the invention.

The Supervisor decided to seek the advice on how to proceed. What are the relevant factors and considerations? How should the Laboratory proceed?

Government Interest in Funded Inventions

- “It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development, to encourage the maximum participation of small business, to promote collaboration, ...to promote free competition, to promote commercialization and public availability of inventions made in the United States, to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use.....” 35 USC 200
- “[S]timulating improved utilization...providing encouragement for the development of technology through recognition of individuals...encouraging the exchange of scientific and technical personnel...” 15 USC 3702
- “[T]o ensure the full use of the results of the Nation’s Federal Investment...strive where appropriate to transfer federally owned or originated technology...

Funding Agreement (35 USC 202)

- The contractor may elect title within a reasonable time after disclosure of an invention or discovery, if conceived or first actually reduced to practice in the performance of work under a government funding agreement, and during the course of contract performance, which is or may be patentable. 35 USC 201, 202.
- The contractor must disclose each subject invention to the Federal agency within a reasonable time after it becomes known to contractor personnel responsible for the administration of patent matters, and that **the Federal Government may receive title to any subject invention not disclosed to it within such time.**
- The contractor makes written election within two years after disclosure to the Federal agency whether to seek patent protection.
- The contractor agrees to file patents on elected inventions. This pertains to all countries. The Government may file in non-elected countries
- **The Federal agency shall have a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the US any subject invention throughout the world.**
 - **The contractor must specify that the invention was made with Government support and that the Government has certain rights in the invention.**

Funding Agreement and the Government Inventor(35 USC 202)

- In any case when a Federal employee is a coinventor of any invention made with a nonprofit organization, a small business firm, or a non-Federal inventor, the Federal agency employing such coinventors may, for the purpose of consolidating rights in the invention and if it finds that it would expedite the development of the invention-
 - **(1) license or assign whatever rights it may acquire in the subject invention to the nonprofit organization, small business firm, or non-Federal inventor in accordance with the provisions of this chapter...**
- But, a nonprofit must share royalties with the inventor and sharing is specified in FAR Clause 52.227-11. But this clause is not in FAR Clause 52.227-12.
- See also FAR 27.304-1(d)- “When a Govt. employee is a coinventor of an invention made under a contract with a small business firm or non-profit org., the agency employing the coinventor may transfer or assign whatever right it may acquire in the subject invention from its employee to the contractor, subject to conditions of 35 USC 202-204”

Federally Owned Inventions

- Federal agencies are authorized to grant nonexclusive, exclusive or partially exclusive licenses royalty free, for royalties or other consideration...
- In all cases the Federal government retains an irrevocable, paid-up license for any Federal agency to practice the invention or have the invention practiced throughout the world by or on behalf of the Government. 35 USC 209

Distribution of Royalties Received by Federal Agencies to Govt. Inventor

- For licensing and assignment of invention under agreements entered into by Federal laboratories.
- 15% of first \$2,000 to inventors or coinventors or incentives for other laboratory employees
- Rest of royalties are transferred to agency with majority retained by the laboratory.
- After royalties exceed 5% of agency budget then 25% may be used as above. An inventor may be awarded up to \$150,000 per year.

What is the difference between rights as a co-owner and under Bayh Dole?

- Under co-ownership the government can exploit the invention by licensing to the commercial marketplace and thereby obtain revenue to the lab and the inventor.
- Under the BD license the Government has a right to practice (make and use and authorize others to make and use for the government).
- Conclusion – Co-ownership provides greater rights.

Inventorship: A Requirement For Obtaining a Patent

A person shall be entitled to a patent unless—

**(f) He did not himself invent the subject matter
sought to be patented**

An Inventive Entity

- 35 USC 116 “When an invention is made by two or more persons jointly, they shall apply for patent jointly and each make the required oath...Inventors may apply for a patent jointly even though (1) they did not physically work together or at the same time, (2) each did not make the same type or amount of contribution, or (3) each did not make a contribution to the subject matter of every claim of the patent.
- If a joint inventor refuses to join in an application for patent or cannot be found or reached after diligent effort, the application may be made by the other inventor on behalf of himself and the omitted inventor.

What if the Contractor asserts that the Invention was not a subject invention and can make a case?

- For example the lab's engineers failed to document their contribution or the patent claims can be adjusted to show prior conception and reduction before the contract was signed.
- For example, the contract was interrupted and the invention was conceived and reduced to practice during the period of interruption.

Means to Obtain Title under Funding Agreement

- Can take title in foreign countries if contractor doesn't pursue.
- Can take title if contractor does not disclose the invention
 - Contractor shall disclose to Contracting Officer within 2 months after inventor discloses to Contractor personnel responsible for patent matters or within 6 mo. After Contractor becomes aware. Disclosure must be sufficient!
 - Contractor election is made at time of disclosure or within 8 months.
 - Contractor files patent within 1 year of election or sooner if there is a bar to patenting. Foreign patenting follows within 10 months from the initial application or 6 months after secrecy order is lifted. (CO normally grants extension unless the govt's rights will be prejudiced.
 - The government has until three years after final payment to go in and examine the books and records relating to the contract for the purpose of identifying compliance with FAR 52.227-12.
 - The contractor retains minimum license rights in the invention.

Means to Obtain Title under Funding Agreement

- Within 60 days of finding that contractor failed to report or elect within specified times then after written request contractor conveys title. AND contractor forfeits its license rights throughout the world!
 - May find issued patent that was not reported.
- If Contractor does not elect patent or decides not to continue prosecution or pay maintenance fees or defend the patent on a subject invention.

Invalidating Attacks on the Patent

- Why attack the Patent?
 - Because you may wish to bring the technology into the public domain.
 - Because the government should not have to pay twice for what it has developed.
- How to invalidate the patent
 - Substantive Attacks
 - **Prior Art – before invention**
 - **Statutory Bar – before filing**
 - **Loss of Right**
 - Fraudulent procurement – inequitable conduct (must have intent to deceive)
 - Delay in filing suit for infringement (laches or estoppel)
 - Patent Misuse
 - Procedural Tools
 - Ex Parte Reexamination 35 USC 301 et seq.
 - Inter Partes Reexamination
 - Protest
 - Public Use Proceedings (for public use or sale)
 - Federal court

Before Date of Invention

- 35 USC 102(a) “the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent
- 35 USC 102(e) “the invention was described in (1) an application for patent, published under section [122 \(b\)](#), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section [351 \(a\)](#) shall have the effects for the purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language”
- 35 USC 102(g)(1) During the course of an interference... or (2) “before the applicant’s invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it....”

Statutory Bar

- 35 USC 102(b) “the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States”

Loss of Right

- 35 USC 102(c) “has abandoned the invention”
- 35 USC 102(d) “the invention was first patented or caused to be patented, or was the subject of an inventor’s certificate...in a foreign country prior to the date of the application for patent in this country...filed more than twelve months before filing the application in the United States”
- 35 USC 102(f) “did not himself invent the subject matter sought to be patented”
 - [called “derivation” and has to be sufficient to permit an ordinary person in the art, without special skill, to practice the allegedly derived invention]

Summary

- If a government employee is an inventor then the government will have greater rights in the patent than provided by the patent rights clause including revenue streams.
- If a government employee is a coinventor he may share in the revenue stream
- If the laboratory is unable to achieve its rights from legitimate coinventorship then it may be reasonable to attack the patent.