



MAY THE CLAUSE BE WITH YOUSM

Patent Clauses

Presented by Scott A. Felder
Wiley Rein LLP

Your Instructor



[Scott A. Felder](#)
[Wiley Rein LLP](#)
202.719.7029
sfelder@wiley.law

Agenda

- Subject Inventions / Patent Rights Clauses
 - Ownership by the Contractor (FAR 52.227-11)
 - Ownership by the Government (FAR 52.227-13)
 - Classified Subject Matter (FAR 52.227-10)
- Clauses Related to Third Party Patents
 - Authorization and Consent (FAR 52.227-1)
 - Notice and Assistance (FAR 52.227-2)
 - Indemnity (FAR 52.227-3, -4, -5)



Subject Inventions / Patent Rights Clauses

“Subject Inventions”

- Governed by the Bayh-Dole Act (35 U.S.C. §§ 200-212) and implementing regulations
 - 37 C.F.R. Part 401
 - Patent Rights Clauses
 - FAR 52.227-11 (Ownership by the Contractor)
 - FAR 52.227-13 (Ownership by the USG)
- Statute applies only to non-profits/small businesses
- Extended to large businesses by Presidential Memorandum
 - Now codified in the definition of “contractor” at 37 C.F.R. § 401.2

What is a “Subject Invention”

- Something that is or may be patentable
 - Patent Eligibility
 - Utility
 - Novelty
 - Non-obviousness
- Of the contractor (*i.e.*, the contractor is an inventor)
- Made
 - Conception **OR**
 - First **actual** reduction to practice **AND**
- In the performance of work under a funding agreement
 - **During** and **related to** the work specified by the funding agreement (see *University of South Florida Board of Trustees v. United States*, No. 2022-2248 (Fed. Cir. Feb. 9, 2024))

“Subject Inventions”: Contractor Obligations

- Disclose the invention to the CO “within a reasonable time”
 - Within two months after the inventor discloses to the contractor
 - Government can get title if contractor fails to disclose timely
- Content of disclosure to CO
 - “[S]ufficiently complete in technical detail to convey a clear understanding of the subject invention.” (FAR 52.227-11)
 - This is a lower standard than 35 U.S.C. § 112
 - Provide (and keep the CO updated) as to potential novelty-defeating activities (e.g., publication, on-sale)

“Subject Inventions”: Contractor Obligations (cont’d)

- Invention Surveillance by the Government
 - Ongoing reporting requirements will be spelled out in the contract’s Patent Rights Clause
 - FAR generally requires:
 - Reporting if you decide to abandon your application
 - Reporting on utilization of subject inventions
 - Contracting Officer may enhance these requirements:
 - Periodic listings of subject inventions (req’d by DFARS)
 - Closeout reports of subject inventions (req’d by DFARS)
 - Application bibliographical data (req’d by DFARS)

“Subject Inventions”: Contractor Obligations (cont’d)

- Contractor elects title
 - By statute, within 2 years of disclosure to CO (but check the clause)
 - Can be extended by CO
 - Can also be shortened to preserve novelty
 - Government can get title if contractor fails to elect timely or non-elects
 - **Contractor must secure rights from the inventor in order to have title to elect to retain**
 - Response to *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems*, which held that the Bayh-Dole Act does not shift title from an inventor (the default under the Patent Act) to the federal funding recipient (e.g., the inventor’s employer)

“Subject Inventions”: Contractor Obligations (cont’d)

- If contractor elects title, must timely file a patent application (e.g., before novelty is destroyed)
 - At least the US
 - Other countries as desired
 - Government can get title if contractor fails to file timely or non-files
- The patent application must include language noting the Government’s financial contribution to the invention

“Subject Inventions”: Government Rights

- A license to practice the invention
 - Non-exclusive
 - Non-transferable
 - Royalty free
 - Irrevocable
 - For or on behalf of the United States
- The Government can ask for the contractor to execute a confirmatory document for purposes of recording the Government’s license at the USPTO
- March-in rights
 - Can force a license of the invention
 - Substantial due process afforded
 - Can only be invoked at the highest levels
 - Has never been used

Licensing of Subject Inventions

- Exclusive Licensing Domestic Manufacturing Requirement
 - The owner of a subject invention may not grant an exclusive right to use or sell unless the licensee agrees to “manufacture[] substantially in the United States”
 - The Bayh-Dole Act does not define “manufactured substantially”
 - Virtually no agency has provided any guidance
 - NASA’s cooperative agreement regulations are the notable exception: “[T]he product must have over 50 percent of its components manufactured in the United States. This requirement is met if the cost to the recipient of the components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all components required to make the product.”
 - Exceptions – Can seek a waiver if:
 - There is no willing domestic licensee; or
 - Domestic manufacturing is infeasible
 - Courts appear to treat this exclusive licensing requirement as form over substance
 - The Government can exercise its march-in rights if an improper exclusive license is granted
- Compulsory Foreign Licensing
 - Look for Alt I or Alt II to the Patent Rights Clause

Patent Rights Clause Selection

- 52.227-11 allows the contractor to elect to retain title
 - You'll see this in just about every contract that contains a patent rights clause, unless you are dealing with NASA/DOE and are not a statutorily-covered entity
- 52.227-13 requires the contractor to assign title to the Government (leaving the contractor with a license)
 - Reasons to use FAR 52.227-13
 - Contractor not in the US
 - Contractor has no place of business in the US
 - Contractor is subject to the control of a foreign gov't
 - Exceptional circumstances
 - Foreign intelligence/counterintelligence activities
 - DOE GOCO facility for naval nuclear propulsion or weapons programs

Subject Inventions and National Security

- FAR 52.227-10 prescribes special requirements for patent applications to national security classified subject matter
 - For “Secret” or higher:
 - Give the proposed patent application to the Contracting Officer
 - 30 day waiting period before filing
 - Government cannot deny the right to file the application
 - For “Confidential”
 - Give a copy of the application to the Contracting Officer
 - No waiting period
 - No foreign filings without Contracting Officer approval
 - Must provide bibliographical data to the Contracting Officer



Clauses Related to Third Party Patents

Patent “Infringement” By/For the United States

Whenever an invention described in and covered by a patent of the United States is used or manufactured by or **for the United States** without license of the owner thereof or lawful right to use or manufacture the same, the owner’s remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

28 U.S.C. § 1498(a)

Patent “Infringement” For the United States

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor . . . for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

28 U.S.C. § 1498(a)

“For the Government”

- In furtherance of a stated Government policy
- Serves the Government's interests
- For the Government's benefit

Madey v. Duke Univ., 413 F. Supp. 2d 601 (M.D.N.C. 2006)

“Authorization and Consent”

- Method
 - Express (contract clause)
 - Implied (by Government conduct) – *TVI Energy Corp. v. Blane*, 806 F.2d 1057 (Fed. Cir. 1986)
- Timing
 - Before the infringing activity
 - Post hoc* – *Hughes Aircraft v. U.S.*, 534 F.2d 889 (Ct. Cl. 1976)
- Scope
 - Broad
 - Narrowly tailored
- Analysis will often consider whether the accused infringer faced a binary choice to infringe, on the one hand, or to violate a law/regulation or breach its contract, on the other hand (see, e.g., *Sevenson Env'tl.*, 477 F.3d at 1366-67)

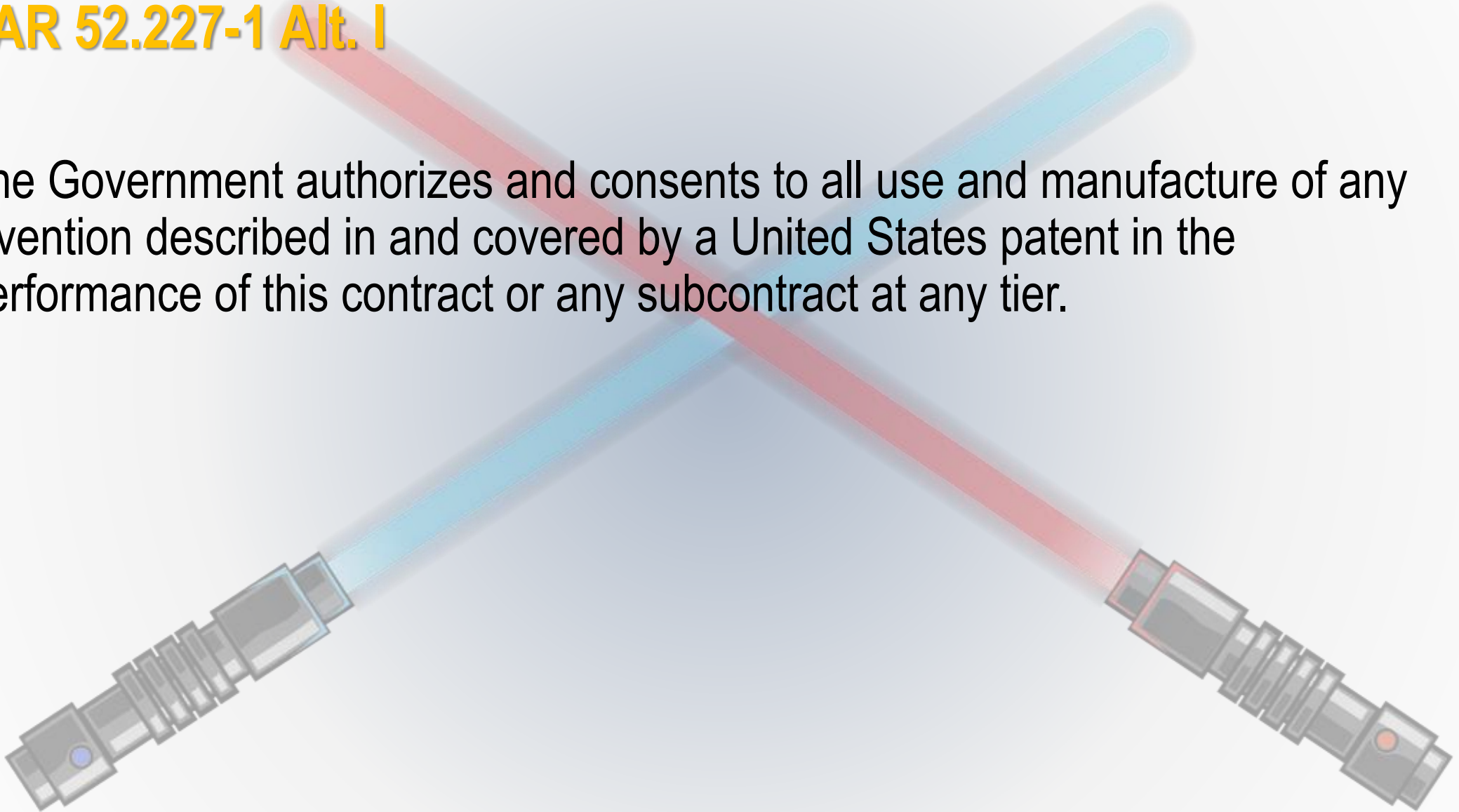
FAR 52.227-1(a)

The Government authorizes and consents to all use and manufacture, in performing this contract or any subcontract at any tier, of any invention described in and covered by a United States patent –

- (1) Embodied in the structure or composition of any article the delivery of which is accepted by the Government under this contract; or
- (2) Used in machinery, tools, or methods whose use necessarily results from compliance by the Contractor or a subcontractor with (i) specifications or written provisions forming a part of this contract or (ii) specific written instructions given by the Contracting Officer directing the manner of performance

FAR 52.227-1 Alt. I

The Government authorizes and consents to all use and manufacture of any invention described in and covered by a United States patent in the performance of this contract or any subcontract at any tier.



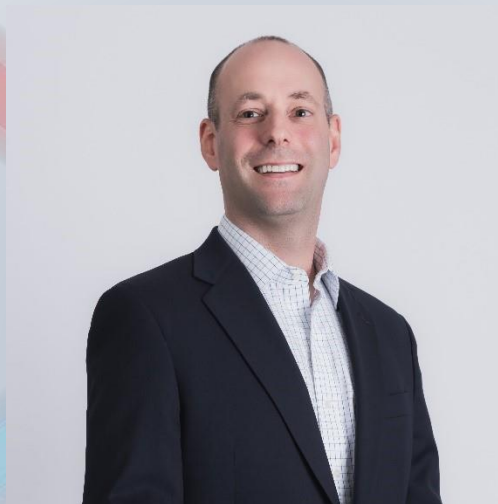
Notice and Assistance (FAR 52.227-2)

- Requires a contractor to notify the CO of “each notice or claim of patent or copyright infringement based on the performance of this contract of which the Contractor has knowledge”
- Requires a contractor to “furnish to the Government, when requested by the Contracting Officer, all evidence and information in the Contractor’s possession pertaining to” a patent or copyright infringement suit against the Government related to the contractor’s performance of the contract

Indemnification by the Contractor

- Shifts Government's financial liability back to the contractor
- Standard clauses
 - FAR 52.227-3 – Standard Patent Indemnity
 - Alternate I – exclusion of specific items from the indemnity
 - Alternate II – inclusion of specific items in the indemnity
 - FAR 52.227-4 – Patent Indemnity for Construction Contracts
 - FAR 52.227-5 – Waiver of Indemnity for Specific Patents
 - FAR 52.212-4(h) – Patent and Copyright Indemnity for Commercial Contracts
- Indemnity for patent/copyright infringement is *always* a contractual question

Questions?



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