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Client Alert

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Ownership of Inventions Funded with Federal Research Grants

The FY-2012 National Defense Authorization Act reauthorized the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs through 2017. Administered by the U.S. Small Business Administration, these programs provide over \$2.0 billion a year to small businesses to perform research and development.

Should your business pursue SBIR/STTR funding? Or will federally-funded research cause your company to lose control over its inventions?

The good news is that existing federal law (the Bayh-Dole Act, passed in 1980) does not affect inventions owned by your company before entering into a federal research contract.

If your company conceives a new invention during federal research, it generally can retain ownership of the invention by complying with certain requirements, including (a) making timely disclosure to the United States Government, (b) electing in writing to retain ownership within two years after disclosure, and (c) filing a patent application within one year of the election. Your company may request extensions for these deadlines. If your company subcontracts its federally-funded research and development, the subcontractor may retain ownership of its inventions by following the same process.

What rights does the Government have? If your company (or its subcontractors) follows the rules to retain invention ownership, the Government enjoys a nonexclusive, nontransferable, irrevocable, paid-up license to practice, or have practiced on its behalf, your (or your subcontractors') invention throughout the world.

Under exceptional circumstances, the Government can exercise "march-in rights" and require your company to grant a license to a responsible third party. For example, exceptional circumstances might exist if a company invented a cure for a deadly disease and did not make it available to the public on reasonable terms. However, since Bayh-Dole's enactment in 1980, the Government has attempted to exercise its march-in rights only once, in connection with the 2011 bankruptcy of solar wafer manufacturing technology company, Evergreen Solar, Inc.

Bottom line: While invention ownership issues generally should not keep your company from pursuing federal research funding, pay careful attention to, and comply with, required processes so your company retains ownership of its inventions.

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