

Patent Rights Under U.S. Government Contracts

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Too often companies contracting with the Federal Government fail to recognize the potential loss of patent rights in their inventions. This article will suggest ways to protect those rights by first determining whether the Government has any rights in a particular invention and if so, protecting the contractor's rights by strict adherence to the requirements under the Government contract.

The Federal Acquisition Regulation ("FAR") at 48 C.F.R. § 27.303 (2004) directs when a patent rights clause will be required in a Government contract. The patent rights clause establishes specific notice and disclosure requirements that must be adhered to or the contractor risks losing all patent rights to the invention. Absent a patent rights clause in the contract, the Government will have difficulty claiming title to the invention even if conceived or reduced to practice by the contractor pursuant to that Government contract.¹ The patent rights clause for a small business can be found at FAR §§ 52.227-11 and 27.303(a)(1)(i).²

Contractors should first determine whether the contract requires a patent rights clause. FAR § 27.303 requires a

patent rights clause if the contract is for "experimental, developmental, or research work." If the contract cannot be characterized as being for experimental, developmental, or research work, then the contractor should object to inclusion of a patent rights clause. Such an objection should be initiated before the date set for receipt of proposals or opening of bids. That can be accomplished by a protest to the Contracting Officer under FAR § 33.103.

Also, under FAR § 27.304-3, a patent rights clause must be included in a contract if the contract is for construction work or architect-engineer (A-E) services with the purpose of performing experimental, developmental, or research work, or test and evaluation studies, and calls for or can be expected to involve novel structures, machines, products, materials, processes, or equipment. *Id.* Therefore, the scope of the work required under a Government construction or A-E services contract should be examined to ensure that it does not involve "experimental, developmental, or research work" or novel machines, products, materials, processes, or equipment, thereby avoiding a patent rights clause. Additionally, if the work required under the contract does not involve any patentable inventions, then a patent rights clause should not be included in the contract. Finally, if you establish a contract for construction or A-E services involving only previously developed equipment, methods, and processes, then a patent rights clause should not be included in the contract. FAR § 27.304-3(b).

Under FAR § 52.227-11(a)(6), a patent rights clause only applies to a "subject invention." A "subject invention" is defined as an invention conceived or first actually reduced to practice, that is developed and tested the invention, while performing work under the Government contract. FAR §§ 27.301 and 52.227-11(a)(6). Consequently, if a contractor has already developed, built and tested a new invention that may be used while performing the contract, then the contract should expressly state that the new invention is not subject to a patent rights clause. However, if the invention is first actually reduced to

practice during performance of the contract, then the invention will be subject to Government rights even if the invention was conceived prior to entering into the contract. *Id.*

If an invention is subject to a patent rights clause, then, the specific notice and disclosure requirements of the clause must be strictly followed or all rights in the invention could be lost. The Federal Circuit recently affirmed an Armed Services Board of Contract Appeals decision that a contractor had forfeited rights to an invention by failing to comply with the disclosure requirements. Campbell Plastics Engineering & Mfg. Inc. v. Brownlee, 389 F.3d 1243, 1249-50 (Fed. Cir. 2004). In a decision of first impression, it held that disclosure of a subject invention over a period of time orally and in writing was not an adequate disclosure under the clause. *Id.* at 1249. Therefore, an agreement should be made between the contracting officer and the contractor as to what form the disclosure must be made (if not otherwise specified in the contract), the amount of detail required for an adequate disclosure, and who should receive the form. Those agreed upon methods, procedures and forms for adequate disclosure should be expressly stated in the contract. For example, the contract in Campbell required the notice to be submitted on a specific form, that is, DD Form 882. A specific form, however, is not always required. Therefore, the contract should be reviewed carefully to determine the correct notice and disclosure reporting method.

To ensure that adequate disclosure is made within the time required, every contractor should implement processes and procedures to control when disclosures regarding patentable inventions are made and to whom those disclosures are made. Those rules should outline the required form for an adequate disclosure, the deadlines for submitting the form, how detailed the description of the invention must be, and to whom within the company should receive the form. Once the procedures are promulgated, any company inventors or potential inventors should be made aware of the procedures. Because the notice clock begins once the inventor discloses the invention to those responsible for patent matters in the company, usually patent counsel, the responsible person should be identified in the procedure.

Additionally, records, such as lab notebooks and notes, of when an invention was conceived and/or first actually reduced to practice should be kept. If a court is deciding whether a contractor has met the requirements of a patent rights clause, the records can be used as evidence. Therefore, the records should meet minimum evidentiary requirements. For example, handwritten entries should be made in blue ink so that the entries are permanent and can be easily distinguished from photocopies. Entries in lab notebooks should also be signed by a second person to provide corroboration. Forms disclosing inventions should also be kept and tracked as to when they were sent from one party to another.

Strict adherence to the time requirements of the patent rights clause for disclosing the subject invention, electing to retain title to the subject invention, and prosecuting patent applications is required to protect patent rights. Failure to comply with the time requirements could result in the Government obtaining title to the invention. FAR § 52.227-11(d). Although extensions of time can be granted by the contracting officer, the time requirements should be met to avoid reliance on the discretion of the Government agency. The table below outlines the time requirements of FAR § 52.227-11.

52.227-11, the patent application has to be filed within one year of electing to take title of a subject invention. Under 35 U.S.C. § 102(b), an invention cannot be patented if it has been publicly disclosed more than one year before filing the application. For example, if the invention was disclosed in a printed publication, such as an advertisement or a patent that issued more than one year before the filing of the patent application; if the invention was sold or offered for sale in this country for more than one year before the filing of the patent application; or if the invention has been in public use for more than one year before the filing of the patent application, then a patent cannot be obtained under 102(b). Therefore, if a contractor, two years after disclosure of the invention to the Government, elects to retain title to the invention as allowed by FAR § 52.227-11, then the contractor will be barred from obtaining a patent under 102(b).

Accordingly, once an invention is publicly disclosed, such as the required disclosure to the Government under FAR § 52.227-11, a patent application should be filed within one year, even though not required by FAR § 52.227-11.

Another potential problem resulting from the requirements of both FAR § 52.227-11 and 35 U.S.C. § 102 is the order in which patent applications are filed.

be filed first in the United States and then in foreign countries.

Moreover, under FAR § 52.227-11(d), the Government may obtain title to an invention in countries where a contractor fails to file a patent application within one year of electing to retain title to the subject invention. Thus, foreign patent applications should be filed soon after electing to retain title to the subject invention to meet both the requirements of FAR § 52.227-11(d) and 102(d). Similarly, the Government can take title to an invention in those countries where a contractor decides not to pursue patent protection. FAR § 52.227-11(d)(3). Thus, after electing to retain title to a subject invention, consideration should be given to in which countries patent applications should be filed.

Because patents are often an important component of a company's assets, caution must be exercised when contracting with the Government to avoid loss of rights. If inventions are subject to a patent rights clause under a Government contract, adherence to the Federal Acquisition Regulation and 35 U.S.C. § 102 as outlined above, will help protect patent rights for those inventions.

ENDNOTES

1. Under certain circumstances, however, a court will read into a government contract a clause which was inadvertently left out. *G. L. Christian and Assocs. v. United States*, 60 Ct. Cl. 1, 312 F.2d 418 (1963).
2. Other patent clauses cover other than small businesses or other specific circumstances such as work performed outside the United States. This article focuses on the clause at 52.227-11.

FAR 52.227-11 Requirement:	Associated Deadline:
The Contractor must disclose each "subject invention" to the Contracting Officer.	Within 2 months after the inventor discloses it in writing to contractor personnel responsible for patent matters. FAR 52.227-11(c)(1).
The Contractor must elect in writing whether to retain title to the "subject invention" by notifying the federal agency.	Within 2 years of disclosure (if the invention has been published, on sale or has been released for public use, therefore initiating the 1-year statutory period in which to obtain patent protection, the period of election may be shortened to a date that is no more than 60 days prior to the end of the statutory period). FAR 52.227-11(c)(2).
The Contractor must file its initial patent application on a "subject invention" to which it elects to retain title.	Within 1 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; and foreign applications within 10 months of the initial U.S. application. FAR 52.227-11(c)(3).

If a patent application is filed for a subject invention, the filing of the patent application has to meet both the requirements of FAR § 52.227-11 and the statutory bar of 35 U.S.C. § 102(b) (2004). Under FAR §

Under 35 U.S.C. § 102(d) (2004), if the invention is patented in a foreign country, then the invention cannot be patented in the United States. Therefore, a patent application for the subject invention should