

**Statutory Notes and Related Subsidiaries**

## EFFECTIVE DATE

Section effective July 1, 1981, but implementing regulations authorized to be issued earlier, see section 8(f) of Pub. L. 96-517, set out as an Effective Date of 1980 Amendment note under section 41 of this title.

**§ 202. Disposition of rights**

(a) Each nonprofit organization or small business firm may, within a reasonable time after disclosure as required by paragraph (c)(1) of this section, elect to retain title to any subject invention: *Provided, however,* That a funding agreement may provide otherwise (i) when the contractor is not located in the United States or does not have a place of business located in the United States or is subject to the control of a foreign government, (ii) in exceptional circumstances when it is determined by the agency that restriction or elimination of the right to retain title to any subject invention will better promote the policy and objectives of this chapter (iii) when it is determined by a Government authority which is authorized by statute or Executive order to conduct foreign intelligence or counter-intelligence activities that the restriction or elimination of the right to retain title to any subject invention is necessary to protect the security of such activities or, (iv) when the funding agreement includes the operation of a Government-owned, contractor-operated facility of the Department of Energy primarily dedicated to that Department's naval nuclear propulsion or weapons related programs and all funding agreement limitations under this subparagraph on the contractor's right to elect title to a subject invention are limited to inventions occurring under the above two programs of the Department of Energy. The rights of the nonprofit organization or small business firm shall be subject to the provisions of paragraph (c) of this section and the other provisions of this chapter.

(b)(1) The rights of the Government under subsection (a) shall not be exercised by a Federal agency unless it first determines that at least one of the conditions identified in clauses (i) through (iv) of subsection (a) exists. Except in the case of subsection (a)(iii), the agency shall file with the Secretary of Commerce, within thirty days after the award of the applicable funding agreement, a copy of such determination. In the case of a determination under subsection (a)(ii), the statement shall include an analysis justifying the determination. In the case of determinations applicable to funding agreements with small business firms, copies shall also be sent to the Chief Counsel for Advocacy of the Small Business Administration. If the Secretary of Commerce believes that any individual determination or pattern of determinations is contrary to the policies and objectives of this chapter or otherwise not in conformance with this chapter, the Secretary shall so advise the head of the agency concerned and the Administrator of the Office of Federal Procurement Policy, and recommend corrective actions.

(2) Whenever the Administrator of the Office of Federal Procurement Policy has determined that one or more Federal agencies are utilizing

the authority of clause (i) or (ii) of subsection (a) of this section in a manner that is contrary to the policies and objectives of this chapter, the Administrator is authorized to issue regulations describing classes of situations in which agencies may not exercise the authorities of those clauses.

(3) If the contractor believes that a determination is contrary to the policies and objectives of this chapter or constitutes an abuse of discretion by the agency, the determination shall be subject to section 203(b).

(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

(1) That the contractor 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.

(2) That the contractor make a written election within two years after disclosure to the Federal agency (or such additional time as may be approved by the Federal agency) whether the contractor will retain title to a subject invention: *Provided,* That in any case where the 1-year period referred to in section 102(b) would end before the end of that 2-year period, the period for election may be shortened by the Federal agency to a date that is not more than sixty days before the end of that 1-year period: *And provided further,* That the Federal Government may receive title to any subject invention in which the contractor does not elect to retain rights or fails to elect rights within such times.

(3) That a contractor electing rights in a subject invention agrees to file a patent application prior to the expiration of the 1-year period referred to in section 102(b), and shall thereafter file corresponding patent applications in other countries in which it wishes to retain title within reasonable times, and that the Federal Government may receive title to any subject inventions in the United States or other countries in which the contractor has not filed patent applications on the subject invention within such times.

(4) With respect to any invention in which the contractor elects rights, the Federal agency shall have a nonexclusive, nontransferrable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world: *Provided,* That the funding agreement may provide for such additional rights, including the right to assign or have assigned foreign patent rights in the subject invention, as are determined by the agency as necessary for meeting the obligations of the United States under any treaty, international agreement, arrangement of cooperation, memorandum of understanding, or similar arrangement, including military agreement relating to weapons development and production.

(5) The right of the Federal agency to require periodic reporting on the utilization or

efforts at obtaining utilization that are being made by the contractor or his licensees or assignees: *Provided*, That any such information as well as any information on utilization or efforts at obtaining utilization obtained as part of a proceeding under section 203 of this chapter shall be treated by the Federal agency as commercial and financial information obtained from a person and privileged and confidential and not subject to disclosure under section 552 of title 5.

(6) An obligation on the part of the contractor, in the event a United States patent application is filed by or on its behalf or by any assignee of the contractor, to include within the specification of such application and any patent issuing thereon, a statement specifying that the invention was made with Government support and that the Government has certain rights in the invention.

(7) In the case of a nonprofit organization, (A) a prohibition upon the assignment of rights to a subject invention in the United States without the approval of the Federal agency, except where such assignment is made to an organization which has as one of its primary functions the management of inventions (provided that such assignee shall be subject to the same provisions as the contractor); (B) a requirement that the contractor share royalties with the inventor; (C) except with respect to a funding agreement for the operation of a Government-owned-contractor-operated facility, a requirement that the balance of any royalties or income earned by the contractor with respect to subject inventions, after payment of expenses (including payments to inventors) incidental to the administration of subject inventions, be utilized for the support of scientific research or education; (D) a requirement that, except where it is determined to be infeasible following a reasonable inquiry, a preference in the licensing of subject inventions shall be given to small business firms; and (E) with respect to a funding agreement for the operation of a Government-owned-contractor-operated facility, requirements (i) that after payment of patenting costs, licensing costs, payments to inventors, and other expenses incidental to the administration of subject inventions, 100 percent of the balance of any royalties or income earned and retained by the contractor during any fiscal year up to an amount equal to 5 percent of the annual budget of the facility, shall be used by the contractor for scientific research, development, and education consistent with the research and development mission and objectives of the facility, including activities that increase the licensing potential of other inventions of the facility; provided that if said balance exceeds 5 percent of the annual budget of the facility, that 15 percent of such excess shall be paid to the Treasury of the United States and the remaining 85 percent shall be used for the same purposes described above in this clause; and (ii) that, to the extent it provides the most effective technology transfer, the licensing of subject inventions shall be administered by contractor employees on location at the facility.

(8) The requirements of sections 203 and 204 of this chapter.

(d) If a contractor does not elect to retain title to a subject invention in cases subject to this section, the Federal agency may consider and after consultation with the contractor grant requests for retention of rights by the inventor subject to the provisions of this Act and regulations promulgated hereunder.

(e) 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 coinventor 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; or

(2) acquire any rights in the subject invention from the nonprofit organization, small business firm, or non-Federal inventor, but only to the extent the party from whom the rights are acquired voluntarily enters into the transaction and no other transaction under this chapter is conditioned on such acquisition.

(f)(1) No funding agreement with a small business firm or nonprofit organization shall contain a provision allowing a Federal agency to require the licensing to third parties of inventions owned by the contractor that are not subject inventions unless such provision has been approved by the head of the agency and a written justification has been signed by the head of the agency. Any such provision shall clearly state whether the licensing may be required in connection with the practice of a subject invention, a specifically identified work object, or both. The head of the agency may not delegate the authority to approve provisions or sign justifications required by this paragraph.

(2) A Federal agency shall not require the licensing of third parties under any such provision unless the head of the agency determines that the use of the invention by others is necessary for the practice of a subject invention or for the use of a work object of the funding agreement and that such action is necessary to achieve the practical application of the subject invention or work object. Any such determination shall be on the record after an opportunity for an agency hearing. Any action commenced for judicial review of such determination shall be brought within sixty days after notification of such determination.

(Added Pub. L. 96-517, §6(a), Dec. 12, 1980, 94 Stat. 3020; amended Pub. L. 98-620, title V, §501(3)-(8), Nov. 8, 1984, 98 Stat. 3364-3366; Pub. L. 102-204, §10, Dec. 10, 1991, 105 Stat. 1641; Pub. L. 106-113, div. B, §1000(a)(9) [title IV, §4732(a)(12)], Nov. 29, 1999, 113 Stat. 1536, 1501A-583; Pub. L. 106-404, §6(1), Nov. 1, 2000, 114 Stat. 1745; Pub. L. 107-273, div. C, title III, §13206(a)(13), Nov. 2, 2002, 116 Stat. 1905; Pub. L. 111-8, div. G, title I, §1301(h), Mar. 11, 2009, 123 Stat. 829; Pub. L. 112-29, §§3(g)(7), 13(a), 20(i)(2), Sept. 16, 2011, 125 Stat. 288, 327, 334.)

## Editorial Notes

## REFERENCES IN TEXT

This Act, referred to in subsec. (d), probably means Pub. L. 96-517, Dec. 12, 1980, 94 Stat. 3015, which enacted sections 200 to 211 and 301 to 307 of this title, amended sections 41, 42, and 154 of this title, section 1113 of Title 15, Commerce and Trade, sections 101 and 117 of Title 17, Copyrights, and sections 2186 and 5908 and former section 2457 of Title 42, The Public Health and Welfare, and enacted provisions set out as notes under sections 13 and 41 of this title. For complete classification of this Act to the Code, see Tables.

## AMENDMENTS

2011—Subsec. (b)(3). Pub. L. 112-29, § 20(i)(2)(A), substituted “section 203(b)” for “the section 203(b)”.

Subsec. (c)(2). Pub. L. 112-29, § 3(g)(7)(A), substituted “the 1-year period referred to in section 102(b) would end before the end of that 2-year period” for “publication, on sale, or public use, has initiated the one year statutory period in which valid patent protection can still be obtained in the United States” and “before the end of that 1-year” for “prior to the end of the statutory”.

Subsec. (c)(3). Pub. L. 112-29, § 3(g)(7)(B), substituted “the expiration of the 1-year period referred to in section 102(b)” for “any statutory bar date that may occur under this title due to publication, on sale, or public use”.

Subsec. (c)(7)(D). Pub. L. 112-29, § 20(i)(2)(B), substituted “except where it is determined to be infeasible following a reasonable inquiry, a preference in the licensing of subject inventions shall be given to small business firms; and” for “except where it proves infeasible after a reasonable inquiry, in the licensing of subject inventions shall be given to small business firms; and”.

Subsec. (c)(7)(E)(i). Pub. L. 112-29, § 13(a), substituted “15 percent” for “75 percent”, “85 percent” for “25 percent”, and “described above in this clause;” for “as described above in this clause (D);”.

2009—Subsec. (b)(3), (4). Pub. L. 111-8 redesignated par. (4) as (3) and struck out former par. (3) which read as follows: “At least once every 5 years, the Comptroller General shall transmit a report to the Committees on the Judiciary of the Senate and House of Representatives in the manner in which this chapter is being implemented by the agencies and on such other aspects of Government patent policies and practices with respect to federally funded inventions as the Comptroller General believes appropriate.”

2002—Subsec. (b)(4). Pub. L. 107-273, § 13206(a)(13)(A), substituted “section 203(b)” for “last paragraph of section 203(2)”.

Subsec. (c)(4). Pub. L. 107-273, § 13206(a)(13)(B)(i), substituted “additional rights,” for “additional rights;”.

Subsec. (c)(5). Pub. L. 107-273, § 13206(a)(13)(B)(ii), struck out “of the United States Code” after “section 552 of title 5”.

2000—Subsec. (e). Pub. L. 106-404 amended subsec. (e) generally. Prior to amendment, subsec. (e) read as follows: “In any case when a Federal employee is a co-inventor of any invention made under a funding agreement with a nonprofit organization or small business firm, the Federal agency employing such coinventor is authorized to transfer or assign whatever rights it may acquire in the subject invention from its employee to the contractor subject to the conditions set forth in this chapter.”

1999—Subsec. (a). Pub. L. 106-113, in first sentence, substituted “(iv)” for “(iv)” and struck out a second period at end.

1991—Subsec. (b)(3). Pub. L. 102-204 substituted “every 5 years” for “each year”.

1984—Subsec. (a). Pub. L. 98-620, § 501(3), substituted “when the contractor is not located in the United States or does not have a place of business located in the United States or is subject to the control of a for-

ign government” for “when the funding agreement is for the operation of a Government-owned research or production facility”, struck out “or” before “(ii)”, which was executed by striking out “or” before “(iii)” as the probable intent of Congress, and added cl. (iv).

Subsec. (b)(1). Pub. L. 98-620, § 501(4), gave to the Department of Commerce oversight of agency use of the exceptions to small business or nonprofit organization invention ownership.

Subsec. (b)(2). Pub. L. 98-620, § 501(4), substituted provisions authorizing the Administrator of the Office of Federal Procurement Policy to issue regulations describing situations in which agencies may not exercise the authorities of clauses (i) or (ii) of subsec. (a), whenever the Administrator has determined that one or more agencies are utilizing such authority in violation of this chapter for provisions which gave to the Comptroller General oversight of agency actions under this chapter.

Subsec. (b)(4). Pub. L. 98-620, § 501(4A), added par. (4).

Subsec. (c)(1). Pub. L. 98-620, § 501(5), substituted provisions requiring disclosure of each invention within a reasonable time after it becomes known to contractor personnel responsible for the administration of patent matters for provision requiring disclosure of each invention within a reasonable time after it is made.

Subsec. (c)(2). Pub. L. 98-620, § 501(5), substituted provisions requiring the contractor to make a written election within two years after disclosure to the Federal agency (or such additional time as may be approved by the Federal agency) whether the contractor will retain title to a subject invention for provision requiring election to retain title within a reasonable time after disclosure, and inserted provision authorizing the Federal agency to shorten the period for election under certain circumstances.

Subsec. (c)(3). Pub. L. 98-620, § 501(5), substituted provisions requiring a contractor electing rights in a subject invention to file a patent application prior to any statutory bar date that may occur under this title due to publication, on sale, or public use, and thereafter to file corresponding patent applications in other countries in which it wishes to retain title within reasonable times for provisions requiring the contractor to file patent applications within a reasonable time.

Subsec. (c)(4). Pub. L. 98-620, § 501(5), substituted provision that the funding agreement may provide for such additional rights, including the right to assign or have assigned foreign patent rights in the subject invention, as are determined by the agency as necessary for meeting the obligations of the United States under any treaty, international agreement, arrangement of cooperation, memorandum of understanding, or similar arrangement, including any military agreement relating to weapons development and production for provision that the agency could, if provided in the funding agreement, have additional rights to sublicense any foreign government or international organization pursuant to any existing or future treaty or agreement.

Subsec. (c)(5). Pub. L. 98-620, § 501(6), substituted “as well as any information on utilization or efforts at obtaining utilization obtained as part of a proceeding under section 203 of this chapter shall be treated” for “may be treated”.

Subsec. (c)(7)(A). Pub. L. 98-620, § 501(7), struck out provision which made an exception for organizations which were not themselves engaged in or did not hold a substantial interest in other organizations engaged in the manufacture or sales of products or the use of processes that might utilize the invention or be in competition with embodiments of the invention.

Subsec. (c)(7)(B). Pub. L. 98-620, § 501(8), redesignated cl. (C) as (B). Former cl. (B), relating to a prohibition against the granting of exclusive licenses under United States Patents or Patent Applications in a subject invention by the contractor to persons other than small business firms for periods in excess of certain specified periods and relating to commercial sales, was struck out.

Subsec. (c)(7)(C). Pub. L. 98-620, § 501(8), added cl. (C). Former cl. (C) redesignated (B).

Subsec. (c)(7)(D). Pub. L. 98-620, §501(8), added cl. (D). Former cl. (D) redesignated (E).

Subsec. (c)(7)(E). Pub. L. 98-620, §501(8), redesignated former cl. (D) as (E) and inserted provisions placing a limit on the amount of royalties that the contract operators of Government-owned laboratories are entitled to retain after paying patent administrative expenses and a share of the royalties to inventors, requiring payment of amounts in excess of such limits to the United States Treasury, and requiring that, to the extent it provides the most effective technology transfer, the licensing of subject inventions shall be administered by contractor employees on location at the facility.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 2011 AMENDMENT

Amendment by section 3(g)(7) of Pub. L. 112-29 effective upon the expiration of the 18-month period beginning on Sept. 16, 2011, and applicable to certain applications for patent and any patents issuing thereon, see section 3(n) of Pub. L. 112-29, set out as an Effective Date of 2011 Amendment; Savings Provisions note under section 100 of this title.

Pub. L. 112-29, §13(b), Sept. 16, 2011, 125 Stat. 327, provided that: “The amendments made by this section [amending this section] shall take effect on the date of the enactment of this Act [Sept. 16, 2011] and shall apply to any patent issued before, on, or after that date.”

Amendment by section 20(i)(2) of Pub. L. 112-29 effective upon the expiration of the 1-year period beginning on Sept. 16, 2011, and applicable to proceedings commenced on or after that effective date, see section 20(l) of Pub. L. 112-29, set out as a note under section 2 of this title.

##### EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106-113 effective 4 months after Nov. 29, 1999, see section 1000(a)(9) [title IV, §4731] of Pub. L. 106-113, set out as a note under section 1 of this title.

##### EFFECTIVE DATE

Section effective July 1, 1981, but implementing regulations authorized to be issued earlier, see section 8(f) of Pub. L. 96-517, set out as an Effective Date of 1980 Amendment note under section 41 of this title.

#### § 203. March-in rights

(a) With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—

(1) action is necessary because the contractor or assignee has not taken, or is not expected to take within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use;

(2) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;

(3) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

(4) action is necessary because the agreement required by section 204 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 204.

(b) A determination pursuant to this section or section 202(b)(4)<sup>1</sup> shall not be subject to chapter 71 of title 41. An administrative appeals procedure shall be established by regulations promulgated in accordance with section 206. Additionally, any contractor, inventor, assignee, or exclusive licensee adversely affected by a determination under this section may, at any time within sixty days after the determination is issued, file a petition in the United States Court of Federal Claims, which shall have jurisdiction to determine the appeal on the record and to affirm, reverse, remand or modify, as appropriate, the determination of the Federal agency. In cases described in paragraphs (1) and (3) of subsection (a), the agency's determination shall be held in abeyance pending the exhaustion of appeals or petitions filed under the preceding sentence.

(Added Pub. L. 96-517, §6(a), Dec. 12, 1980, 94 Stat. 3022; amended Pub. L. 98-620, title V, §501(9), Nov. 8, 1984, 98 Stat. 3367; Pub. L. 102-572, title IX, §902(b)(1), Oct. 29, 1992, 106 Stat. 4516; Pub. L. 107-273, div. C, title III, §13206(a)(14), Nov. 2, 2002, 116 Stat. 1905; Pub. L. 111-350, §5(i)(2), Jan. 4, 2011, 124 Stat. 3850.)

#### Editorial Notes

##### REFERENCES IN TEXT

Section 202(b)(4), referred to in subsec. (b), was redesignated section 202(b)(3) of this title by Pub. L. 111-8, div. G, title I, §1301(h), Mar. 11, 2009, 123 Stat. 829.

##### AMENDMENTS

2011—Subsec. (b). Pub. L. 111-350 substituted “chapter 71 of title 41” for “the Contract Disputes Act (41 U.S.C. §601 et seq.)”.

2002—Pub. L. 107-273 redesignated par. (1) as subsec. (a) and former subpars. (a) to (d) as pars. (1) to (4), respectively, redesignated former par. (2) as subsec. (b), struck out quotation marks and comma before “as appropriate”, and substituted “paragraphs (1) and (3) of subsection (a)” for “paragraphs (a) and (c)”.

1992—Par. (2). Pub. L. 102-572 substituted “United States Court of Federal Claims” for “United States Claims Court”.

1984—Pub. L. 98-620 designated existing provisions as par. (1) and added par. (2).

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 1992 AMENDMENT

Amendment by Pub. L. 102-572 effective Oct. 29, 1992, see section 911 of Pub. L. 102-572, set out as a note under section 171 of Title 28, Judiciary and Judicial Procedure.

##### EFFECTIVE DATE

Section effective July 1, 1981, but implementing regulations authorized to be issued earlier, see section 8(f)

<sup>1</sup> See References in Text note below.