Carole Latker

From: Joe Allen [jallen@allen-assoc.com]
Sent: Wednesday, November 04, 2009 10:16 AM
To: Robert Hardy; Bremer, Howard
Cc: Carole Latker
Subject: Re: [techno-l] US: Academics, not universities, own their inventions

This guy has WAY too much time on his hands. Again, we need a plain English explanation for how Bayh-Dole envisioned the system to work. This in just another in the "alternative universe" ideas that our critics are so good at inventing and then breathing life into. As we have seen before, the longer they go unanswered, the more they start to sound believable. You can bet that Kaufman is picking up on this one!

Since his theory is so convoluted, quoting various statues and regs, it can sound plausible to the uninitiated --or to "evil doers" with their own agendas. This may be another case where the Three Amigo's (Howard, Norm and me) need to saddle up and ride into Dodge City to run out the bad guys. Luckily, since the drafters of Bayh-Dole are still around, that should have some clout. However, I would suggest not replying directly to Gerald, but a general piece since the Stanford-Roche case seems to have raised the issue. This time it could be a couple of page white paper.

What these folks skip over (or probably don't even know) is that B-D is a statutory form of the IPA program, which arose from the premise that universities **with an established tech transfer capability--i.e. professionals in licensing, not individual researchers,** could be trusted to own and manage their inventions.

Here's my reply to Gerald when he first floated his theory past me (before it metamorphasized into the monster he's now sending around):

Oct. 20, 2009
Gerald:

I haven't actually read the opinion and was surprised to see stories saying that it shows that Bayh-Dole didn't intend for university tech transfer offices to manage resulting inventions. This is off base.

While not expressly getting into the relationship between universities and their inventors, our clear assumption was that there would be patent assignment policies in place. That's why the law talks about "contractors" (defined to include grantees) owning their inventions made with federal support, licensing them in compliance with small business preferences, reporting to the funding agency, etc. It's also implicit in the requirement of the law that universities share royalties with their inventors.

Bayh-Dole was based on the former administrative policy of NIH called the Institutional Patent Agreements. NIH agreed to waive patent ownership to universities who demonstrated an ability to manage the inventions through the creation of a recognized tech transfer office. When the Carter Admn. undermined this administrative policy, Bayh-Dole gave it statutory standing and extended it to all university and non-profit organizations performing federally-supported R&D. The growth of AUTM after passage shows the schools without existing tech transfer offices quickly set them up, or contracted out to established organizations set up to perform these duties.

Bayh-Dole prohibits universities from assigning patent rights without specific agency approval with only one exception: "where such assignment is made to an organization which has as one of its primary functions the management of inventions and which is not, itself, engaged in or does not hold a substantial interest in other organizations engaged in the

manufacture or sale of products or the use of processes that might utilize the invention." This section adds that such licensing organizations must manage assigned inventions in compliance with the provisions of the law.

It's the universities, not inventors, who are getting federal grants. They, not the inventors, are held responsible for compliance with Bayh-Dole. They also suffer the consequences for failure to do so.

By the way, the need for assignment policies was later underscored when we (the Dept of Commerce, charged by Congress overseeing the tech transfer laws) reviewed several pending US international science and technology agreements. The State Dept was attempting to gain favor by granting foreign visiting scientists rights to resulting inventions in their home countries. We objected strongly that this undercut US tech transfer law, particularly as the host institutions (federal labs and universities) would have no way of knowing that this provision was in effect if they accepted these scientists.

This issue got so hot it caused US-Japan Agreement to be personally halted at the very last minute by Commerce Sec. Baldridge. The dispute was taken all the way to the Economic Policy Council and the provision was removed. The same issue arose in the US-Canada Free Trade Agreement, and was also rejected by the US, after we pointed out the economic consequences.

We emphasized to the agencies that foreign visiting scientists must sign patent assignment agreements or their presence would undermine Bayh-Dole and the Federal Tech Transfer Act. Failure to do so undercuts the ability of the host institution to license the invention or enter into cooperative R&D agreements where rights to resulting inventions are promised to industry partners as authorized by statute.

Hope this helps

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----- Original Message -----
From: Robert Hardy
To: Bremer, Howard
Cc: Joe Allen
Sent: Tuesday, November 03, 2009 4:19 PM
Subject: FW: [techno-l] US: Academics, not universities, own their inventions

Howard,

Did you see this? This line of thinking strikes me as potentially dangerous.

He's right that 37CFR401.14(f)(2) goes to disclosure, not assignment. However, I always read 202(d) and 401.9 as addressing only where rights are waived back to the inventor, not to allow direct flowdown of rights to inventors bypassing the university. I don't know where the notion that NSF "expects personal ownership" comes from; it was not my experience post-Bayh-Dole that NSF expected personal ownership.

This is the same issue I tried to call you about the other day. Given all the policy talk in D.C. about giving faculty inventors the rights it's important that we try to clarify exactly what Bayh-Dole provides in this regard. Is there any helpful legislative history on this point?

Bob

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From: bounce-434223-2839@listserver.techno-l.org [mailto:bounce-434223-2839@listserver.techno-l.org] **On Behalf Of** techno-l@techno-l.org
Sent: Tuesday, November 03, 2009 2:09 PM
To: techno-l@techno-l.org
Subject: Re: [techno-l] US: Academics, not universities, own their inventions

Gerald Barnett
Okay. Long post alert. This is important stuff. Check my work. Toy Story bit is at the end.

In 37 CFR 401: "electing title" pertains to the disposition of respective interests in the funding agreement. When a contractor "elects title" by notice to the funding agency, the contractor is neither "claiming ownership" nor "obtaining ownership" of patent rights, but rather is interposing university (contractor) interest ahead of the agency's own claims (whatever they may be). It is a contract action on a conditional made available to the university in the funding conditions attending an award of federal funds. Think of it as an agency flow down based on an option. Much more like an inter-agency decision about control, except the university isn't a federal agency. Hence all the apparatus. What happens to patent ownership is a separate thing.

There is no issue in Bayh-Dole about inventor ownership of patent rights in subject inventions. University inventors own any patent rights in the work they do at US universities. What matters is how those personal rights are managed in the context of federal research awards. Bayh-Dole makes the agency-university interface (mostly) uniform, but it does not require agencies all to take the same line with regard to their ownership interest in sponsored inventions. Some agencies pay close attention to ownership, such as ONR and NASA and DOE, and some agencies appear to expect personal ownership, such as NSF.

Bayh-Dole requires written agreements to protect the government's interest. This is laid out in section 37 CFR 401.14(a)(f)--headed clearly enough: "Contractor Action to Protect the Government's Interest" (my bold):

(2) The *contractor* agrees to **require, by written agreement, its employees**, other than clerical and nontechnical employees, **to disclose promptly** in writing **to personnel identified as responsible for the administration of patent matters** and in a format suggested by the *contractor* **each subject invention** made under *contract* in order that the *contractor* can comply with the disclosure provisions of paragraph (c), above, and **to execute all papers necessary to file patent applications** on subject inventions and **to establish the government's rights** in the subject inventions. This disclosure format should require, as a minimum, the information required by (c)(1) [disclosure of subject inventions to the government], above. The *contractor* shall instruct such employees through employee agreements or other suitable educational programs on the importance of reporting inventions in sufficient time to permit the filing of patent applications prior to U.S. or foreign statutory bars.

Simply: "**The contractor agrees to require its employees to disclose promptly each subject invention and to execute all papers necessary to file patent applications and to establish the government's rights.**"

Read it for what the law says, not what you think is implied. As with any sophisticated text, there are many things potentially implied, not just the one that comes quickest to mind. Bayh-Dole is written this way for good reasons. Nothing in paragraph (f)(2) requires employees to assign their patent rights to the contractor or, for that matter, to the government. Very nice drafting we thinks it is. Just as agencies may take different approaches to whether they require ownership absent a university claim, so also universities may take different approaches with regard to their employee-inventors. Some universities use a related "research foundation" to manage inventions. The law is amazingly, even brilliantly liberal on this point. Shame to waste all that brilliance if no one appreciates it.

Bayh-Dole permits universities to designate personnel to manage subject inventions who may not be at the university. This provides for designated assignment to an affiliated research foundation. But the drafting is broader: a university could designate a *whole list* of acceptable agents to manage its disclosure affairs--different personnel at different organizations for medical inventions, nanotech, stem cells, software, and alt energy, for instance. Under Bayh-Dole, an inventor at university A could disclose to university B's research foundation, or to a patent law firm, or to a company set up to manage inventions in a given area. It's at the discretion of university A under Bayh-Dole.

Further, under 37 CFR 401.14(a)(k), university A can assign "rights" (broader than and different from the simple equation title=ownership) to any organization "which has as one of its primary functions the management of inventions, provided that such assignee will be subject to the same provisions as the *contractor*". That is, university A can assign its Bayh-Dole right to elect title to any such organization, OR if it has exercised its right to elect title, it can assign the rights it has obtained (from the government, not the inventors!) to such organization, OR if it has obtained assignment of patent rights from inventors, it can assign those patent rights to such organization. *Any* of these are anticipated in 37 CFR 401.14(a) (k)(1). It is up to whomever accepts these rights to do those things necessary to protect the government's interest, following the flow down in (k)(1): "provided that such assignee [of rights obtained through the operation of Bayh-Dole of whatever sort] will be subject to the same provisions as the *contractor*."

This is one of three major flow downs in Bayh-Dole. The others are the subcontracting flow down in 37 CFR 401.14(a)(g), which I won't discuss further, and what is more like a by-pass in 37 CFR 401.9, which is important to this whole discussion and shows what the university intervention permitted by Bayh-Dole really is. Read:

§ 401.9 Retention of rights by contractor employee inventor. Agencies which allow an employee/inventor of the contractor to retain rights to a subject invention made under a funding agreement with a small business firm or nonprofit organization contractor, as authorized by 35 U.S.C. 202(d), will impose upon the inventor at least those conditions that would apply to a small business firm contractor under paragraphs (d)(1) and (3); (f)(4); (h); (i); and (j) of the clause at § 401.14(a).

(d)(1) convey title to agency on failure to disclose, elect title, maintain patent rights
(d)(3) govt rights in foreign patents if contractor doesn't pursue or maintain
(f)(4) notice of govt rights in patent specification
(h) reporting on utilization
(i) preference for US industry
(j) government march in rights

If a university does not require its employees to assign their inventions to the university (or to a foundation, etc) *and* the funding agency permits contractor inventors to retain rights, then the deal in Bayh-Dole is directly between those inventors and the agency, and at minimum consists of the above. Note: staple stuff for universities is missing, including section 37 CFR 401.14(a) (k) with its clauses about assignment and royalty sharing and use of remaining funds for research or education. Also missing are (b) and (c), but the duties indicated there are taken up and implied by the (d) clauses. The inventors have it easy compared to the university-directed apparatus.

The agency depends on the contractor-university having a written agreement with its research employees to protect government interests. Beyond that, it is up to the agency to stipulate that interest directly with the inventors. The inventors are obligated to that stipulation through their written agreements with their universities (think of it as making a public,irrevocable, enforceable commitment in the form of a written agreement, in which the university serves as the public registrar of the commitment). This is the essence of federal contracting. You agree to the terms as these are set forth by the agency within the scope of its authority. That's what the written agreements in Bayh-Dole do.

Anything else is deal play between the university and its employees over something *other than compliance with Bayh-Dole*. That could be money, power, notoriety, faculty rights, officiousness, fear, sense of public purpose, or whatever, but it ain't Bayh-Dole. Bayh-Dole does *not require a university demand assignment to itself of patent rights from its federally funded inventors*. That's because, at a minimum, Bayh-Dole is drafted to recognize that some universities want that assignment to go to a research foundation, not to them directly. Moreover, and more importantly, it's because

assignment specifically to the university hosting the research has little to do with the broad objective of Bayh-Dole, which is to use patent rights to promote the use of federally supported inventions. How this makes money for scientific research or education, and for inventors, is up to the discretion of the private sector. Same for how this results in benefits available to the public (not necessarily inventions or products), better university-industry relationships (where are the metrics for *that*?), support for small business (not just your equity-granting venture backed start ups sucking up all the local investment capital), and support for US labor (in the forms of manufacturing jobs, especially).

This gets at the heart of it. Absent a university claim on invention rights in federal research, agencies are dealing directly with university inventors on the matter. The university is no corporate employer for federal awards, but a service intermediary. It serves as a contracting aggregator for university agencies working otherwise directly with research personnel. Its services make those interactions more efficient for the agencies and for the researchers. It is the investigators that propose research, it is the investigators that control the performance of that research, it is the investigators that invent, and it is the investigators that report and publish. Absent the university's interest in patents, it would also be the investigators reporting their inventions and discoveries directly to the funding agencies, as they do with their final reports.

Bayh-Dole is about managing the role of universities as stewards of these interactions relative to differential federal agency requirements pertaining to inventions and patents. Circular A-110 __.37 applies.
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html#37

Universities as recipients of federal awards serve as trustees on behalf of the intended beneficiaries of those awards with regard to any intangible property acquired or improved with the use of federal funds. When the university-contractor-recipient requires assignment of its employee's patent rights, it is acquiring intangible property. It becomes a trustee, not a corporate owner. Its rights and interest in that property--here, patent rights--are conditioned on looking out for the beneficiaries, not itself. It is plain immoral for a trustee to use the assets entrusted to it to look out for its own concerns first. In the context of Bayh-Dole, the extra apparatus pertaining to universities shows this difference in treatment between true owners of patent rights (the inventors) and those that choose to obtain that ownership to support federal objectives with regard to patent rights.

We are deep into it now, and if you have read this far and have not flamed out with a note about long posts, I am deeply appreciative. Some things do not work with quips and pithy two sentence repartee. Too much is written blaming Bayh-Dole for university behaviors that ignore its provisions. Too much is written ascribing to Bayh-Dole requirements that are simply not there. Consider:

1) universities may choose never to "elect title" to subject inventions. That means: never interpose themselves between research inventors and federal agencies. University obligations under Bayh-Dole then would be to secure written agreements to protect government interest, provide education on the timely disclosure of subject inventions, and flow down obligations to subcontractors.

2) universities may choose to permit their employee-inventors to decide whether the university elects title. That is, put a check box on the disclosure form. If the inventors want the university involved, then they check the box. Otherwise, it's between the agency and the inventors via 37 CFR 401.9--that is, *outside the standard conditions of the funding agreement with the university* at 37 CFR 401.14(a). Everything that follows for university involvement has to do with what inventors expect when they check that box. That's what university IP policy under Bayh-Dole should address. If a university has a bureaukleptic policy that requires everyone to check the box without making any commitment as to how the inventors' work will be managed, that says something right there about the university impulse, but says next to nothing about compliance with Bayh-Dole, innovation, or public service.

3) universities may designate a broader range of invention management organizations than just themselves. There's no requirement in Bayh-Dole for a university to demand assignment to itself. A university could designate any other organizations--foundations, universities, federal labs, or invention management companies. That would open up the landscape. It may also prove better for outcomes--if a university already has an established licensing practice with regard to an area of discovery, it might be the ideal management partner for what is invented at another, otherwise unrelated university. If universities were serious about national innovation, they would exploit this. If universities were serious about making money, for that matter, through deployment of patent rights, they would exploit this. Instead, it's all me, me, me provincialism. And to what effect?

4) universities may permit their employee-inventors to designate an invention management organization *after* assigning ownership to the university or related foundation. As with 3), there's nothing in Bayh-Dole that requires a university to ignore its inventors or separate them somehow from further disposition of patent rights. The university is a trustee.

When the university acquires ownership of patent rights, the inventors become beneficiaries of its actions under Bayh-Dole. One might argue that the inventors *have a moral right* to be involved in the university disposition of the inventions they assign under Bayh-Dole until they freely waive that right.

5) universities could for that matter allow their inventors to continue to own their inventions when 37 CFR 401.9 permits, and given the requirements on that ownership (from the federal agencies), allow the inventors to continue using university facilities to develop the inventions. The conflict of interest matters are covered by the federal agency obligations accepted by the inventors. Further, the university could reach a financial arrangement with the inventors for contracted facilities use in those circumstances where use of resources policies require.

6) there is nothing corporate about Bayh-Dole patent ownership. University ownership of inventions is not simply "the entire right, title, and interest" because these are qualified by the law. A university cannot freely dispose of a subject invention. If the university does not file, or does not choose to maintain, a patent right, the rights go to the agency. That's not quite "ownership", is it? If the university or its licensees are not diligent, the government can "march in" and force compulsory licensing. Pretty big lien on ownership. If the university makes money, it has to share that income and use the remainder for specific things. If the university wants to assign, it must have agency approval except in certain cases. That's not rightly "ownership" either. It's all "patent title, with limitations."

7) This is your Buzz Lightyear moment. You are not a flying toy. University "title" in subject inventions is a matter of "falling with style". If you check the sole of your university shoe, you will see a govt agency has signed its name. Live with it. More importantly, recognize what you are (a steward) and change your policy and practice behaviors accordingly. This applies equally to university inventors and administrators.

Federally supported inventions are to be deployed in support of public purposes. There are many ways to do it. We have explored a tiny bit of the space. Changes in world research and investment economies mean it's not business as usual in the US. Changes need to be made in practice to diversify it, not to fix it or replace one autocratic system with another. Who will step up?

Gerry

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----- Original Message -----

From: techno-l@techno-l.org
To: techno-l@techno-l.org
Sent: Tuesday, November 03, 2009 4:59 AM
Subject: Re: [techno-l] US: Academics, not universities, own their inventions

Alan Bentley
Gerry makes some interesting, valuable and accurate points, especially when it comes to protecting the Government's rights in federally funded inventions. Among them, he states that universities do not need to own inventions in order to elect title to an invention. This is particularly interesting to me, as I may not be as well educated on the issue as needed, but to my recollection this is the first I've heard the point that electing title to an invention is not the same as owning the invention. I've always equated the two ("holding title" and "owning", that is) - is this wrong?

I don't argue with Gerry's comments that there is nothing in the B-D act that requires universities to designate themselves (clearly in iEdison, we can waive title to the Govt or to the inventors), but I think the B-D act

allows, permits, or probably more accurately due to its stucture, encourages or even expects universities to own federally funded inventions, and it is not clear that an inventor refusing to sign an assignment form overrides this. If inventors were allowed to own their own inventions (due to poor IP policies, etc, as Paul correctly points out), how is the Government protected? Academic licensing professionals generally know the obligations their institution have to the Government, but most inventors do not, and so the Goverment would be far less likely to be protected if inventors all owned their own federally funded inventions (and good luck to the Government in auditing 20,000 inventors - it is hard enough to audit 200 universities). And the university has no vested interest (other than securing furture federal grants) in policing inventors' responsibilities in fulfilling their personal obligations to the Government if inventors own the inventions - what a nightmare it would be to have to do that!. So ownership by universities may or may not be necessary, but if protecting the Government's rights is the principal issue, it seems to be the safest and most efficient way to go.
Alan

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To unsubscribe send a blank email to techno-l-unsubscribe@techno-L.org

Carole Latker

From: Joe Allen [jallen@allen-assoc.com]
Sent: Wednesday, November 04, 2009 10:30 AM
To: Robert Hardy; Bremer, Howard
Cc: Carole Latker
Subject: "Academics, not universities, own their inventions" from South Africa

Just in from South Africa:

University World News

US: Academics, not universities, own their inventions
Geoff Maslen
01 November 2009
Issue: 0099



A Federal Circuit Court judge has ruled that US universities cannot automatically claim ownership of a researcher's federally funded invention. The judgement could protect academic inventors and students across America from being forced by universities to sign away the rights to their life's work.

"The court's ruling confirms that faculty inventors own the rights to their ideas and their creations, and that universities can no longer use the Bayh-Dole Act as a bulldozer to claim ownership away from the inventors themselves," said Dr Renee Kaswan, inventor of the billion-dollar drug Restasis and founder of the non-profit organisation IPAdvocate.org.

"Inventors should be able to choose for themselves with whom to partner to bring an innovation to the marketplace and to the people who need it. Stanford's policy is more inventor-friendly than most but it's the overarching principle of inventor ownership that won in this case."

The court case centred on patents relating to HIV test kits and involved the board of trustees of the Leland Stanford Junior University and a company called Roche Molecular Systems. In a decision on 30 September, Federal Circuit Judge Richard Linn rejected Stanford's argument that one of the inventors' assignment of rights to another entity, Cetus, was voided by the university's rights to federally funded inventions under the Bayh-Dole Act.

"Bayh-Dole does not automatically void *ab initio* [from the beginning] the inventors' rights in government-funded inventions," the judge said.

The federal Bayh-Dole Act of 1980 was designed to avoid government bureaucracy by permitting universities to retain title to innovations that resulted from publicly funded research performed by its academics. The judge found that although the legislation requires a university to act as coordinator for inventions made with federal funds, it does not mean the university owns the intellectual property or that the institution should be the sole means of commercialising it.

Kaswan said most universities implemented the act by compelling academics and students to disclose their inventions to the institution's technology transfer office and requiring they assign all patent applications to the university's exclusive ownership. This effectively stripped an individual inventor's rights to his or her life's work.

The court noted that Stanford's policy had been much more inventor-friendly than most. When the inventor in this case, Mark Holodniy, signed a copyright and patent agreement on joining Stanford in 1988, the university's administrative guide on intellectual property said: "Unlike industry and many other universities, Stanford's invention rights policy allows all rights to remain with the inventor if possible."

In his judgement, Linn said the question of who owned the patent rights and on what terms was typically a question exclusively for state courts. But he said this rule had exceptions and "the question of whether contractual language effects a present assignment of patent rights, or an agreement to assign rights in the future, is resolved by Federal Circuit law".

"Although state law governs the interpretation of contracts generally, the question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases. We have accordingly treated it as a matter of federal law."

The judge held that the contract language "agree to assign" reflected "a mere promise to assign rights in the future, not an immediate transfer of expectant interests". He concluded that Holodniy had agreed only to assign his invention rights to Stanford at an undetermined time and that Stanford "did not immediately gain title to Holodniy's inventions as a result of the CPA, nor at the time the inventions were created".

Kaswan said that as the 30th anniversary of the Bayh-Dole Act was "just around the corner", it was time to correct the misuse of the law to take IP ownership away from academic inventors.

"As the Obama administration and Congress push for patent reform, and as the country relies on innovation as an engine of economic recovery, the question of the ownership of ideas is crucial in moving those ideas forward from an inventor's mind to an entrepreneur's office to a consumer's bedside table as quickly as possible."

Kaswan, founder of the IP Advocate and inventor of the billion-dollar drug Restasis, was formerly a veterinary ophthalmology professor at the University of Georgia. Her patented treatment for chronic dry-eye remains the most profitable invention in the university's history and was hailed as one of the "university innovations that changed the world" by the University of Virginia Patent Foundation.

Disputes over whether an academic or a university owns the rights to discoveries are not confined to the US. As reported in *University World News* last month, the University of Western Australia has launched a High Court appeal against decisions made by a Supreme Court judge, and subsequently the Full Court, over its claim to the intellectual property in inventions made by one of its professors.

geoff.maslen@uw-news.com

Comment:

The Federal Ciruit Court judge was right in ruling that US universities cannot automatically claim ownership of a researcher's federally funded invention. However, the university on the other hand has the right to ask the researcher to assing ownership of the invention to the university per agreement signed between the two parties. The better proposition is for the university and the resercher to be co-owners of the invention since both are necessarily the reason for its successful completion of the invention. To deprive one of the parties in an agreement of ownership to the invention is unfair. Both the university and the researcher should be given credit for the invention.

Leodegardo M. Pruna, Ph.D.

Printable version
Email to a friend
Comment on this article

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Bob

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(2) The *contractor* agrees to **require, by written agreement, its employees**, other than clerical and nontechnical employees, **to disclose promptly** in writing **to personnel identified as responsible for the administration of patent matters** and in a format suggested by the *contractor* **each subject invention** made under *contract* in order that the *contractor* can comply with the disclosure provisions of paragraph (c), above, and **to execute all papers necessary to file patent applications** on subject inventions and **to establish the government's rights** in the subject inventions. This disclosure format should require, as a minimum, the information required by (c)(1) [disclosure of subject inventions to the government], above. The *contractor* shall instruct such employees through employee agreements or other suitable educational programs on the importance of reporting inventions in sufficient time to permit the filing of patent applications prior to U.S. or foreign statutory bars.

Simply: "**The contractor agrees to require its employees to disclose promptly each subject invention and to execute all papers necessary to file patent applications and to establish the government's rights.**"

Read it for what the law says, not what you think is implied. As with any sophisticated text, there are many things potentially implied, not just the one that comes quickest to mind. Bayh-Dole is written this way for good reasons. Nothing in paragraph (f)(2) requires employees to assign their patent rights to the contractor or, for that matter, to the government. Very nice drafting we thinks it is. Just as agencies may take different approaches to whether they require ownership absent a university claim, so also universities may take different approaches with regard to their employee-inventors. Some universities use a related "research foundation" to manage inventions. The law is amazingly, even brilliantly liberal on this point. Shame to waste all that brilliance if no one appreciates it.

Bayh-Dole permits universities to designate personnel to manage subject inventions who may not be at the university. This provides for designated assignment to an affiliated research foundation. But the drafting is broader: a university could designate a *whole list* of acceptable agents to manage its disclosure affairs--different personnel at different organizations for medical inventions, nanotech, stem cells, software, and alt energy, for instance. Under Bayh-Dole, an inventor at university A could disclose to university B's research foundation, or to a patent law firm, or to a company set up to manage inventions in a given area. It's at the discretion of university A under Bayh-Dole.

Further, under 37 CFR 401.14(a)(k), university A can assign "rights" (broader than and different from the simple equation title=ownership) to any organization "which has as one of its primary functions the management of inventions, provided that such assignee will be subject to the same provisions as the *contractor*". That is, university A can assign its Bayh-Dole right to elect title to any such organization, OR if it has exercised its right to elect title, it can assign the rights it has obtained (from the government, not the inventors!) to such organization, OR if it has obtained assignment of patent rights from inventors, it can assign those patent rights to such organization. *Any* of these are anticipated in 37 CFR 401.14(a)(k)(1). It is up to whomever accepts these rights to do those things necessary to protect the government's interest, following the flow down in (k)(1): "provided that such assignee [of rights obtained through the operation of Bayh-Dole of whatever sort] will be subject to the same provisions as the *contractor*."

This is one of three major flow downs in Bayh-Dole. The others are the subcontracting flow down in 37 CFR 401.14(a)(g), which I won't discuss further, and what is more like a by-pass in 37 CFR 401.9, which is important to this whole discussion and shows what the university intervention permitted by Bayh-Dole really is. Read:

§ 401.9 Retention of rights by contractor employee inventor. Agencies which allow an employee/inventor of the contractor to retain rights to a subject invention made under a funding agreement with a small business firm or nonprofit organization contractor, as authorized by 35 U.S.C. 202(d), will impose upon the inventor at least those conditions that would apply to a small business firm contractor under paragraphs (d)(1) and (3); (f)(4); (h); (i); and (j) of the clause at § 401.14(a).

(d)(1) convey title to agency on failure to disclose, elect title, maintain patent rights
(d)(3) govt rights in foreign patents if contractor doesn't pursue or maintain
(f)(4) notice of govt rights in patent specification
(h) reporting on utilization
(i) preference for US industry
(j) government march in rights

If a university does not require its employees to assign their inventions to the university (or to a foundation, etc) *and* the funding agency permits contractor inventors to retain rights, then the deal in Bayh-Dole is directly between those inventors and the agency, and at minimum consists of the above. Note: staple stuff for universities is missing, including section 37 CFR 401.14(a) (k) with its clauses about assignment and royalty sharing and use of remaining funds for research or education. Also missing are (b) and (c), but the duties indicated there are taken up and implied by the (d) clauses. The inventors have it easy compared to the university-directed apparatus.

The agency depends on the contractor-university having a written agreement with its research employees to protect government interests. Beyond that, it is up to the agency to stipulate that interest directly with the inventors. The inventors are obligated to that stipulation through their written agreements with their universities (think of it as making a public,irrevocable, enforceable commitment in the form of a written agreement, in which the university serves as the public registrar of the commitment). This is the essence of federal contracting. You agree to the terms as these are set forth by the agency within the scope of its authority. That's what the written agreements in Bayh-Dole do.

Anything else is deal play between the university and its employees over something *other than compliance with Bayh-Dole*. That could be money, power, notoriety, faculty rights, officiousness, fear, sense of public purpose, or whatever, but it ain't Bayh-Dole. Bayh-Dole does *not require a university demand assignment to itself of patent rights from its federally funded inventors*. That's because, at a minimum, Bayh-Dole is drafted to recognize that some universities want that assignment to go to a research foundation, not to them directly. Moreover, and more importantly, it's because assignment specifically to the university hosting the research has little to do with the broad objective of Bayh-Dole, which is to use patent rights to promote the use of federally supported inventions. How this makes money for scientific research or education, and for inventors, is up to the discretion of the private sector. Same for how this results in benefits available to the public (not necessarily inventions or products), better university-industry relationships (where are the metrics for *that*?), support for small business (not just your equity-granting venture backed start ups sucking up all the local investment capital), and support for US labor (in the forms of manufacturing jobs, especially).

This gets at the heart of it. Absent a university claim on invention rights in federal research, agencies are dealing directly with university inventors on the matter. The university is no corporate employer for federal awards, but a service intermediary. It serves as a contracting aggregator for university agencies working otherwise directly with research personnel. Its services make those interactions more efficient for the agencies and for the researchers. It is the investigators that propose research, it is the investigators that control the performance of that research, it is the investigators that invent, and it is the investigators that report and publish. Absent the university's interest in patents, it would also be the investigators reporting their inventions and discoveries directly to the funding agencies, as they do with their final reports.

Bayh-Dole is about managing the role of universities as stewards of these interactions relative to differential federal agency requirements pertaining to inventions and patents. Circular A-110 .37 applies.
http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html#37

Universities as recipients of federal awards serve as trustees on behalf of the intended beneficiaries of those awards with regard to any intangible property acquired or improved with the use of federal funds. When the university-contractor-recipient requires assignment of its employee's patent rights, it is acquiring intangible property. It becomes a trustee, not a corporate owner. Its rights and interest in that property--here, patent rights--are conditioned on looking out for the beneficiaries, not itself. It is plain immoral for a trustee to use the assets entrusted to it to look out for its own concerns first. In the context of Bayh-Dole, the extra apparatus pertaining to universities shows this difference in treatment between true owners of patent rights (the inventors) and those that choose to obtain that ownership to support federal objectives with regard to patent rights.

We are deep into it now, and if you have read this far and have not flamed out with a note about long posts, I am deeply appreciative. Some things do not work with quips and pithy two sentence repartee. Too much is written blaming Bayh-Dole for university behaviors that ignore its provisions. Too much is written ascribing to Bayh-Dole requirements that are simply not there. Consider:

1) universities may choose never to "elect title" to subject inventions. That means: never interpose themselves between research inventors and federal agencies. University obligations under Bayh-Dole then would be to secure written agreements to protect government interest, provide education on the timely disclosure of subject inventions, and flow down obligations to subcontractors.

2) universities may choose to permit their employee-inventors to decide whether the university elects title. That is, put a check box on the disclosure form. If the inventors want the university involved, then they check the box. Otherwise, it's between the agency and the inventors via 37 CFR 401.9--that is, *outside the standard conditions of the funding agreement with the university* at 37 CFR 401.14(a). Everything that follows for university involvement has to do with what inventors expect when they check that box. That's what university IP policy under Bayh-Dole should address. If a university has a bureaukleptic policy that requires everyone to check the box without making any commitment as to how the inventors' work will be managed, that says something right there about the university impulse, but says next to nothing about compliance with Bayh-Dole, innovation, or public service.

3) universities may designate a broader range of invention management organizations than just themselves. There's no requirement in Bayh-Dole for a university to demand assignment to itself. A university could designate any other organizations--foundations, universities, federal labs, or invention management companies. That would open up the landscape. It may also prove better for outcomes--if a university already has an established licensing practice with regard to an area of discovery, it might be the ideal management partner for what is invented at another, otherwise unrelated university. If universities were serious about national innovation, they would exploit this. If universities were serious about making money, for that matter, through deployment of patent rights, they would exploit this. Instead, it's all me, me, me provincialism. And to what effect?

4) universities may permit their employee-inventors to designate an invention management organization *after* assigning ownership to the university or related foundation. As with 3), there's nothing in Bayh-Dole that requires a university to ignore its inventors or separate them somehow from further disposition of patent rights. The university is a trustee. When the university acquires ownership of patent rights, the inventors become beneficiaries of its actions under Bayh-Dole. One might argue that the inventors *have a moral right* to be involved in the university disposition of the inventions they assign under Bayh-Dole until they freely waive that right.

5) universities could for that matter allow their inventors to continue to own their inventions when 37 CFR 401.9 permits, and given the requirements on that ownership (from the federal agencies), allow the inventors to continue using university facilities to develop the inventions. The conflict of interest matters are covered by the federal agency obligations accepted by the inventors. Further, the university could reach a financial arrangement with the inventors for contracted facilities use in those circumstances where use of resources policies require.

6) there is nothing corporate about Bayh-Dole patent ownership. University ownership of inventions is not simply "the entire right, title, and interest" because these are qualified by the law. A university cannot freely dispose of a subject invention. If the university does not file, or does not choose to maintain, a patent right, the rights go to the agency. That's not quite "ownership", is it? If the university or its licensees are not diligent, the government can "march in" and force compulsory licensing. Pretty big lien on ownership. If the university makes money, it has to share that income and use the remainder for specific things. If the university wants to assign, it must have agency approval except in certain cases. That's not rightly "ownership" either. It's all "patent title, with limitations."

7) This is your Buzz Lightyear moment. You are not a flying toy. University "title" in subject inventions is a matter of "falling with style". If you check the sole of your university shoe, you will see a govt agency has signed its name. Live with it. More importantly, recognize what you are (a steward) and change your policy and practice behaviors accordingly. This applies equally to university inventors and administrators.

Federally supported inventions are to be deployed in support of public purposes. There are many ways to do it. We have explored a tiny bit of the space. Changes in world research and investment economies mean it's not business as usual in the US. Changes need to be made in practice to diversify it, not to fix it or replace one autocratic system with another. Who will step up?

Gerry

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----- Original Message -----

From: techno-l@techno-l.org
To: techno-l@techno-l.org
Sent: Tuesday, November 03, 2009 4:59 AM
Subject: Re: [techno-l] US: Academics, not universities, own their inventions

Alan Bentley
Gerry makes some interesting, valuable and accurate points, especially when it comes to protecting the Government's rights in federally funded inventions. Among them, he states that universities do not need to own inventions in order to elect title to an invention. This is particularly interesting to me, as I may not be as well educated on the issue as needed, but to my recollection this is the first I've heard the point that electing title to an invention is not the same as owning the invention. I've always equated the two ("holding title" and "owning", that is) - is this wrong?

-
I don't argue with Gerry's comments that there is nothing in the B-D act that requires universities to designate themselves (clearly in iEdison, we can waive title to the Govt or to the inventors), but I think the B-D act allows, permits, or probably more accurately due to its stucture, encourages or even expects universities to own federally funded inventions, and it is not clear that an inventor refusing to sign an assignment form overrides this. If inventors were allowed to own their own inventions (due to poor IP policies, etc, as Paul correctly points out), how is the Government protected? Academic licensing professionals generally know the obligations their institution have to the Government, but most inventors do not, and so the Goverment would be far less likely to be protected if inventors all owned their own federally funded inventions (and good luck to the Government in auditing 20,000 inventors - it is hard enough to audit 200 universities). And the university has no vested interest (other than securing furture federal grants) in policing inventors' responsibilities in fulfilling their personal obligations to the Government if inventors own the inventions - what a nightmare it would be to have to do that!. So ownership by universities may or may not be necessary, but if protecting the Government's rights is the principal issue, it seems to be the safest and most efficient way to go.
Alan

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Carole Latker

From: Joe Allen [jallen@allen-assoc.com]
Sent: Thursday, November 05, 2009 9:21 AM
To: Howard Bremer; Carole Latker
Cc: Sullivan, Kristi
Subject: Tech Transfer Tactics responds to tech transfer office critics

This just came out and I thought it was excellent. Sorry I missed your call yesterday, but I did talk with Norm about it. Let me know when it would be a good time for us to talk.

Perhaps we could write up a short piece for Tech Transfer Tactics on how Bayh-Dole was intended to work. I think a plain English reply to the critics might be best. We might even include Sen. Bayh on this one.

The Tech Transfer Blog

Tech transfer takes yet another mass media flogging

I have spent my entire adult life as a journalist, and I know how the "game" works. Thankfully, I work in a specialized form of journalism that digs deeply into the field or "beat" I cover, and I focus my work on providing helpful, practical information for professionals, based on my best efforts to decipher their information needs in their jobs. I consider it the highest calling of a journalist, to serve ones readers and get to know their real-world challenges in order to deliver better, more useful articles.

But in the world of newspapers and other mass media, it's all about the game. That is, find the negative, look for the man biting the dog, whip up a frenzy, seek out and promote controversy, throw Molotov cocktails of "news" into the crowded theater of public awareness and worry about the collateral damage later. Or not at all. Or better yet, wait for the collateral damage to stoke more fires and cover them too.

All it takes to start a massive inferno is a single match, and reporters are always on the prowl for that match. In the tech transfer arena, the "match" typically relates to the friction between the purity of the university mission and its research, and the business issues that stem from efforts to commercialize that research. It is a complex issue, and there are credible arguments to be made for reducing conflicts, improving relationships between researchers and TTOs, and making the entire commercialization enterprise more transparent. What does not help at all, however, is the media's willingness to take a one-sided view and run with it - to light the match and stoke the fire — with not so much as a keystroke to provide balance and depth, all in the name of "public service."

That's exactly what happened yet again — on the heels of similar "coverage" by the New York Times and other mass media — in a recent article, "Lucrative

inventions pit scientists against universities," by USA TODAY reporter Dan Vergano. Here's his lead to the article:

Science, that lofty realm of the mind, where thoughts of fortune and financial gain never intrude.

Or do they?

"Oh, you bet it does," says Renee Kaswan of IP Advocate, an Atlanta-based researchers' patent-rights organization. "And it's urgent that someone take the side of researchers in educating them about their rights to their inventions," Kaswan says.

Dr. Kaswan, if you missed our coverage in previous editions of *e-News* or its parent publication *Technology Transfer Tactics*, is not exactly an unbiased source. Quite the opposite. Still embroiled in a nasty dispute with the University of Georgia over a multi-million dollar deal for a blockbuster eye drug she invented, Kaswan recently launched the IP Advocate web site in what appears to be a personal mission to exact revenge by skewering university tech transfer under the guise of charitable advocacy for fairness to faculty innovators and better relations with TTOs. Dr. Kaswan may well have a legitimate beef with UGA over her invention and the many millions she will receive from the deal the school struck. According to UGA, her combative attitude nearly scuttled the entire agreement, and the university admittedly acted without her input or consent in finalizing an agreement, which she maintains cost her another fortune in future royalties. Ever since, and using IP Advocate as her gun and a near-daily public relations release as ammunition, she has been at war with tech transfer. Her latest release was based on the recent decision in a Stanford University legal fight with another inventor, this one turning on IP ownership; the researcher signed rights over to a company after having developed it under an employment agreement with the school. Unfortunately for Stanford, the language in that agreement was fuzzy at best, and did not clearly spell out that faculty inventions are by contract assigned to and owned by the university. That's what the decision against Stanford concluded, but Kaswan contended in her breathless press release that the decision turned Bayh-Dole on its head and freed researchers from the shackles of their university masters.

Bunk. Pure bunk, as any IP attorney worth his or her salt will attest.

Yet USA TODAY and its reporter dutifully regurgitated Kaswan's release. Though the reporter did at least cast doubt on her legal claims, he did nothing to balance her charges regarding university research commercialization efforts, leaving TTOs once again with a "bad guy" label that is so undeserved that it pains me to see this happen, again and again.

Here's another juicy excerpt from the USA TODAY:

The Bayh-Dole Act, intended to spur commercialization of taxpayer-supported inventions, has instead become a spur to the hides of researchers, Kaswan says, with universities using it sell off their inventions on the cheap to savvy biotech

firms. "They don't care as long as they sell it, even to firms who purchase ideas just to throttle possible competition."

And another:

"Universities are increasingly the sources of many inventions, but they are also this bottleneck for innovation with everything ending up in court," Kaswan says.

The match is lit. The fire stoked. The newspaper has left its millions of readers' mouths agape. But it told so little of the story, taking the easy, cheap shot approach so common today, and so unfortunate for all who truly wish to understand complex issues in a complex world. That's not USA TODAY's forte.

I'm a little guy on the media stage. This e-zine will reach about 200,000 research commercialization professionals around the world — not millions. But I hope I reach a few that will make the effort to set things right, or balance this scorecard just a little bit. Tech transfer professionals have a hard enough job as it is, taking flack from both administrators and innovators while attempting to navigate valuable inventions through a maze of personal, political, legal, and financial hurdles. They are largely unheralded for this yeoman's work, and don't complain much about it. But damn it, they don't deserve to be publicly flogged for their tireless work to bring technological solutions to global problems and help critical research from their labs become useful to the public, rather than sitting in a researcher's beaker and lab notes.

For another view of tech transfer and its impact, continue reading to the next item on the economic impact of university-industry partnerships.

David Schwartz
Publisher
Technology Transfer Tactics

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