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27.302 Policy.

(a) *Introduction*. In accordance with chapter 18 of title 35, U.S.C. (as implemented by 37 CFR part 401), Presidential Memorandum on Government Patent Policy to the Heads of Executive Departments and Agencies dated February 18, 1983, and Executive Order 12591, Facilitating Access to Science and Technology dated April 10, 1987, it is the policy and objective of the Government to-

(1) Use the patent system to promote the use of inventions arising from federally supported research or development;

(2) Encourage maximum participation of industry in federally supported research and development efforts;

(3) Ensure that these inventions are used in a manner to promote free competition and enterprise without unduly encumbering future research and discovery;

(4) Promote the commercialization and public availability of the inventions *made* in the *United States* by *United States* industry and labor;

(5) Ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and

(6) Minimize the costs of administering patent policies.

(b) *Contractor right to elect title*.

(1) Generally, pursuant to 35 U.S.C. 202 and the Presidential Memorandum and Executive order cited in paragraph (a) of this section, each contractor *may*, after required disclosure to the Government, elect to retain title to any *subject invention*.

(2) A contract *may* require the contractor to assign to the Government title to any *subject invention*-

(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 (see 27.303(e)(1)(i));

(ii) In exceptional circumstances, when an agency determines that restriction or elimination of the right to retain title in any *subject invention* will better promote the policy and objectives of chapter 18 of title 35, U.S.C. and the Presidential Memorandum;

(iii) When a Government authority, that is authorized by statute or executive order to conduct foreign intelligence or counterintelligence activities, determines that the restriction or elimination of the right to retain title to any *subject invention* is necessary to protect the security of such activities;

(iv) When the contract includes the operation of a Government-owned, contractor-operated facility of the Department of Energy (DOE) primarily dedicated to the Department’s naval nuclear propulsion or weapons related programs and all funding agreement limitations under 35 U.S.C. 202(iv) for agreements with small business concerns and *nonprofit organizations* are limited to inventions

occurring under the above two programs; or

(v) Pursuant to statute or in accordance with agency regulations.

(3) When the Government has the right to acquire title to a *subject invention*, the contractor *may*, nevertheless, request greater rights to a *subject invention* (see 27.304-1(c)).

(4) Consistent with 37 CFR part 401, when a contract with a small business concern or *nonprofit organization* requires assignment of title to the Government based on the exceptional circumstances enumerated in paragraph (b)(2)(ii) or (iii) of this section for reasons of national security, the contract *shall* still provide the contractor with the right to elect ownership to any *subject invention* that-

(i) Is not classified by the agency; or

(ii) Is not limited from dissemination by the DOE within 6 months from the date it is reported to the agency.

(5) Contracts in support of DOE's naval nuclear propulsion program are exempted from this paragraph (b).

(6) When a contract involves a series of separate *task orders*, an agency *may* structure the contract to apply the exceptions at paragraph (b)(2)(ii) or (iii) of this section to individual *task orders*.

(c) *Government license*. The Government *shall* have at least a nonexclusive, nontransferable, irrevocable, paid-up license to practice, or have practiced for or on behalf of the *United States*, any *subject invention* throughout the world. The Government *may* require additional rights in order to comply with treaties or other international agreements. In such case, these rights *shall* be *made* a part of the contract (see 27.303).

(d) Government right to receive title.

(1) In addition to the right to obtain title to *subject inventions* pursuant to paragraph (b)(2)(i) through (v) of this section, the Government has the right to receive title to an invention-

(i) If the contractor has not disclosed the invention within the time specified in the clause; or

(ii) In any country where the contractor-

(A) Does not elect to retain rights or fails to elect to retain rights to the invention within the time specified in the clause;

(B) Has not filed a patent or plant variety protection application within the time specified in the clause;

(C) Decides not to continue prosecution of a patent or plant variety protection application, pay maintenance fees, or defend in a reexamination or opposition proceeding on the patent; or

(D) No longer desires to retain title.

(2) For the purposes of this paragraph, filing in a European Patent Office Region or under the Patent Cooperation Treaty constitutes election in the countries selected in the application(s).

(e) *Utilization reports*. The Government has the right to require periodic reporting on how any

subject invention is being used by the contractor or its licensees or assignees. In accordance with 35 U.S.C. 202(5) and 37 CFR part 401, agencies *shall* not disclose such utilization reports to persons outside the Government without permission of the contractor. Contractors *should* mark as confidential/proprietary any utilization report to help prevent inadvertent release outside the Government.

(f) March-in rights.

(1) Pursuant to 35 U .S.C. 203, agencies have certain march-in rights that 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 responsible applicants, upon terms that are reasonable under the circumstances. If the contractor, assignee or exclusive licensee of a *subject invention* refuses to grant such a license, the agency can grant the license itself. March-in rights *may* be exercised only if the agency determines that this action is necessary-

(i) 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 the field(s) of use;

(ii) To alleviate health or safety needs that are not reasonably satisfied by the contractor, assignee, or their licensees;

(iii) To meet requirements for public use specified by Federal regulations and these requirements are not reasonably satisfied by the contractor, assignee, or licensees; or

(iv) Because the agreement required by paragraph (g) of this section has neither been obtained nor 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 paragraph (g) of this section.

(2) The agency *shall* not exercise its march-in rights unless the contractor has been provided a reasonable time to present facts and show cause why the proposed agency action *should* not be taken. The agency *shall* provide the contractor an opportunity to dispute or appeal the proposed action, in accordance with 27.304-1(g).

(g) *Preference for United States industry*. In accordance with 35 U.S.C. 204, no contractor that receives title to any *subject invention* and no assignee of the contractor *shall* grant to any person the exclusive right to use or sell any *subject invention* in the *United States* unless that person agrees that any *products* embodying the *subject invention* or produced through the use of the *subject invention* will be manufactured substantially in the *United States*. However, in individual cases, the requirement for this agreement *may* be waived by the agency upon a showing by the contractor or assignee that reasonable but unsuccessful efforts have been *made* to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the *United States* or that under the circumstances domestic manufacture is not commercially feasible.

(h) Special conditions for *nonprofit organizations*' preference for small business concerns.

(1) *Nonprofit organization* contractors are expected to use reasonable efforts to attract small business licensees (see paragraph (i)(4) of the clause at 52.227-11, Patent Rights-Ownership by the Contractor). What constitutes reasonable efforts to attract small business licensees will vary with the circumstances and the nature, duration, and expense of efforts needed to bring the invention to the market.

(2) Small business concerns that believe a *nonprofit organization* is not meeting its obligations under the clause *may* report the matter to the Secretary of Commerce. To the extent deemed appropriate, the Secretary of Commerce will undertake informal investigation of the matter, and *may* discuss or negotiate with the *nonprofit organization* ways to improve its efforts to meet its obligations under the clause. However, in no event will the Secretary of Commerce intervene in ongoing negotiations or contractor decisions concerning the licensing of a specific *subject invention*. These investigations, discussions, and negotiations involving the Secretary of Commerce will be in coordination with other interested agencies, including the Small Business Administration. In the case of a contract for the operation of a Government-owned, contractor-operated research or production facility, the Secretary of Commerce will coordinate with the agency responsible for the facility prior to any discussions or negotiations with the contractor.

(i) Minimum rights to contractor.

(1) When the Government acquires title to a *subject invention*, the contractor is normally granted a revocable, nonexclusive, paid-up license to that *subject invention* throughout the world. The contractor's license extends to any of its domestic subsidiaries and *affiliates* within the corporate structure of which the contractor is a part and includes the right to grant sublicenses to the extent the contractor was legally obligated to do so at the time of contract award. The *contracting officer shall* approve or disapprove, *in writing*, any contractor request to transfer its licenses. No approval is necessary when the transfer is to the successor of that part of the contractor's business to which the *subject invention* pertains.

(2) In response to a third party's proper application for an exclusive license, the contractor's domestic license *may* be revoked or modified to the extent necessary to achieve expeditious *practical application* of the *subject invention*. The application *shall* be submitted in accordance with the applicable provisions in 37 CFR part 404 and agency licensing regulations. The contractor's license will not be revoked in that field of use or the geographical areas in which the contractor has achieved *practical application* and continues to make the benefits of the *subject invention* reasonably accessible to the public. The license in any foreign country *may* be revoked or modified to the extent the contractor, its licensees, or its domestic subsidiaries or *affiliates* have failed to achieve *practical application* in that country. (See the procedures at 27.304-1(f).)

(j) *Confidentiality of inventions*. Publishing information concerning an invention before a patent application is filed on a *subject invention may* create a bar to a valid patent. To avoid this bar, agencies *may* withhold information from the public that discloses any invention in which the Government owns or *may* own a right, title, or interest (including a nonexclusive license) (see 35 U.S.C. 205 and 37 CFR part 401). Agencies *may* only withhold information concerning inventions for a reasonable time in order for a patent application to be filed. Once filed in any patent office, agencies are not required to release copies of any document that is a part of a patent application for those *subject inventions*. (See also 27.305-4.)

Parent topic: Subpart 27.3 - Patent Rights under Government Contracts