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Where AIA Meets Bayh-Dole Act: Beware the Ticking Clock

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On September 16, 2011, President Obama signed the Leahy-Smith America Invents Act into law, representing the most substantial changes to United States patent law since 1952. Seven months ago, the final and most significant provision of the AIA went into effect — the transition of the United States patent system from a unique “first to invent” (FTI) patent system to a more globally standard “first to file” (FTF) patent system.

Practitioners generally acknowledge that this sea change in United States patent law will require adjustments to patent application filing and prosecution strategies, though it will be many years before we know fully how far-reaching these impacts will be. One consequence that has largely escaped notice, despite its immediacy, is the effect of the switch to an FTF system on how contractors discharge their obligations to the government vis-a-vis “subject inventions” under the Bayh-Dole Act. This article examines those aspects of the AIA.

The Bayh-Dole Act

Enacted in 1980 and codified at 35 U.S.C. §§ 200-212, the Bayh-Dole Act was designed to correct perceived inequities in the patent system and to stimulate the economy by encouraging commercialization and licensing of inventions created with federal assistance.

Before the Bayh-Dole Act, the sponsoring government agency, rather than the contractor-inventor,^[1] had the principal authority to decide whether and on what terms an invention should be patented and licensed. This meant that government agencies that were not necessarily aware of (or even interested in) market conditions

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relevant to licensing were responsible for shepherding inventions to the public.

Although, from a taxpayer's perspective, it might seem just that research funded by the public should belong to the public, the practical consequence of the pre-Bayh-Dole Act policies was to create barriers to the transfer of research from the federally-sponsored laboratory to the public domain.

In an attempt to increase the use and licensing of government-funded inventions, the Bayh-Dole Act allows universities and small businesses to retain ownership of inventions that result from federally funded research.^[2] See, e.g., GAO Report to Congressional Committees: May 1998, Technology Transfer, Administration of the Bayh-Dole Act by Research Universities. In exchange, the contractor-inventor is required to file a patent application and grant the government a license to the invention. See 35 U.S.C. § 202(c).

For inventions conceived or first actually reduced to practice with federal assistance (known as "subject inventions"), the Bayh-Dole Act identifies certain milestones in the lifecycle where contractor-inventor action is required to preserve the ability to patent the subject invention. Among other conditions, compliance with the Bayh-Dole Act requires a contractor-inventor to:

- Disclose subject inventions to the government "within a reasonable time" after becoming aware of the invention (35 U.S.C. § 202(c)(1));
- Make a written election of title to the invention within two years of disclosing the invention to the government (35 U.S.C. § 202(c)(2)); and
- Upon electing to retain title, file a patent application before such an application would be barred by 35 U.S.C. § 102 (35 U.S.C. § 202(c)(3)).

The regulations implementing the Bayh-Dole Act prescribe more specific time periods for both the disclosure of subject inventions (e.g., two months under both 37 C.F.R. § 401.14(c)(1) and FAR 52.227-11(c)(1)) and the filing of patent applications (e.g., one year from election of title under both 37 C.F.R. § 401.14(c)(3) and FAR 52.227-11(c)(3)). They also acknowledge the need to ensure that these milestones are met before patent rights are statutorily barred by allowing the contracting officer to shorten the time frame to elect title and file a patent application. See 37 C.F.R. §§ 401.14(c)(2) and (3); FAR 52.227-11(c)(2) and (3).

On the other hand, contractor-inventors are free to request, and contracting officers frequently grant, extensions of these timelines. See 37 C.F.R. § 401.14(c)(4); FAR 52.227-11(c)(4). Under an FTI model, such extensions were sensible (or at least not ill-advised) — as long as the contractor-inventor avoided the statutory bar of prior § 102(b) and avoided abandoning, suppressing, or concealing the invention within the meaning of prior § 102(g), the contractor-inventor would be able to "swear behind," and thus disqualify as prior art, earlier-filed patent applications by demonstrating its own earlier date of invention. In other words, being the second filer under the FTI regime did not necessarily jeopardize one's ability to secure a patent on one's invention.

The AIA's Effects on the Bayh-Dole Act Deadlines

The AIA drastically changes this dynamic by eliminating the ability to rely upon one's date of invention to disqualify the first-filed patent application prior art. Under an FTF system, the date of invention is irrelevant. As the name implies, virtually all that matters is who got to the patent office first – the first-filed patent application operates as an almost absolute bar to patentability for anyone else.^[3]

The AIA amendments to the Bayh-Dole Act do not address this fundamental shift in patent policy. Indeed, the modifications do nothing more than pay lip service to the revised structure of the § 102 grace period. There have been no changes to the statutory or regulatory time frames by which the various Bayh-Dole milestones must be met and no changes to the ability of a contractor-inventor to seek, and the contracting officer to grant, extensions of time to meet these milestones.

In other words, provided the contractor-inventor has done nothing to trigger the grace period, and despite the increased risk of invalidating prior art under the AIA, the contractor-inventor still has several months to disclose subject inventions to the contracting officer, several years to elect title and file a patent application, and the ability to request and receive extensions to the standard deadlines. Just as before the AIA, if the contractor-inventor has triggered the grace period, the contracting officer has a limited ability to shorten the Bayh-Dole deadlines to ensure that the milestones are met before the grace period runs out.

Taken together, the amended Bayh-Dole Act and its substantially unchanged implementing regulations may instill a false sense that one need not do anything different today in order to fully protect one's invention. Yet, under an FTF system, it is not enough for the contractor-inventor simply to avoid statutory bars and abandonment, suppression, and concealment while taking time to contemplate patent protection.

Under an FTF system, the universe of prior art grows with each day that passes between invention and filing. Moreover, as noted above, the first-filed patent application will serve as an almost absolute bar to the patentability of any later-filed applications. Although the AIA does provide a limited ability to disqualify certain third-party references, including earlier filed patent applications, these exceptions rely upon the inventor's own, even earlier disclosure – a circumstance that is unlikely to occur where patent protection remains under consideration. Therefore, a contractor-inventor that uses the full default Bayh-Dole time periods, much less one that requests and receives extensions, jeopardizes both its rights and the government's rights post-AIA.

The Best Defense Is a Good Offense

Put simply, it is essential to secure as early a filing date as possible under the AIA's FTF system. To meet this challenge, contractors should improve their reporting mechanisms for inventors to ensure timely and accurate reporting of inventions, both internally and to the sponsoring government agency. Efforts should also be made to streamline internal invention review procedures, such that patenting decisions and decisions to elect title to subject inventions can be made on an expedited basis and as early as possible.

Another safeguard is to file provisional patent applications as early as possible following the decision to patent an invention, and to resolve any doubt in favor of filing such an application. Indeed, these process improvements will be beneficial even outside of the government contracting context.

Contractors should also be prepared for revisions to the standard patent rights clauses, if not the Bayh-Dole Act itself, to reflect the new FTF reality. For example, the clauses may be rewritten to specify that a “reasonable time” to disclose a subject invention is two weeks instead of two months. Likewise, the periods for electing title and filing a patent application may be condensed.

Contractors should also expect a reduction in the number of requests for extensions of time that are granted, as well as a reduction in the duration of any extensions that are granted. Finally, contractors should be on the lookout for FAR 52.227-11, Alternate IV, which requires contractors to “establish and maintain active and effective procedures to ensure that subject inventions are promptly identified and timely disclosed” — in other words, to implement the measures recommended above.

[1] This article focuses on inventions made under federal procurement contracts. We remind the reader, however, that the term “funding agreement” is far broader, encompassing certain assistance agreements (e.g., grants and cooperative agreements) in addition to procurement contracts. See 35 U.S.C. § 201(b).

[2] The Bayh-Dole Act itself applies only to non-profit organizations and small businesses. See 35 U.S.C. § 201 (c). A 1983 Presidential Memorandum directs federal agencies to extend the Bayh-Dole policies to all government contractors. See Presidential Memorandum on Governmental Patent Policy to the Heads of Executive Departments and Agencies, Feb. 18, 1983 (reprinted in 1983 Public Papers 248).

[3] In most of the world, the first-filed patent application is an absolute bar to patentability. Even in shifting to an FTF system, however, the United States preserved a limited grace period within which the first-filed patent application can potentially be disqualified as prior art, allowing the second filer to receive a patent. See 35 U.S.C. § 102(b). A full explanation of the AIA’s modified grace period is beyond the scope of this article; only certain salient aspects of the grace period are discussed herein.