

## *Legal Issues Roundtable*

**Bayh-Dole meets Manpower Inc.,**

**Support Contractors in Federal Labs**

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Chair, FLC Legal Issues Committee**



## *Support Contractors in federal labs*

### Background

- ❑ Before 1980, Federal Government owned federally-funded inventions.
- ❑ After 1980, Bayh-Dole: federal contractors and grantees of “experimental, developmental, or research work” may maintain ownership of their federally-funded inventions.



## *Support Contractors in federal labs*

### Background

- ❑ FTTA of 1986 creates CRADA to incentivize non-federal parties to collaborate w/labs on R&D.
- ❑ Collaborators have option to an exclusive license for lab employee CRADA Subject Invention. 😊



## *Support Contractors in federal labs*

### Background

Since 1980's:

- ↓% government employees at many federal labs.
- ↑# support contractors in-house to do R&D.
- ↑ amount of T2 w/non-federal collaborators.



## *Support Contractors in federal labs*

### Background

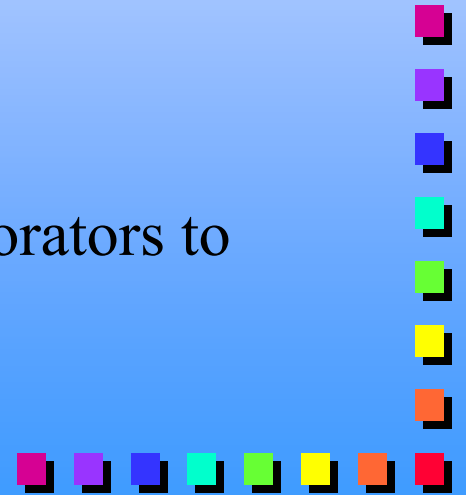
- Contractor hired to do the R&D (DOE/NCI model)
- Contractor hired to bring in qualified scientists/technologists to support the lab to carry out its R&D.



## *Support Contractors in federal labs*

### Problem

- ❑ In-house support contractors w/B-D rights working on R&D involving CRADAs. Collaborators don't have rights to the inventions of support contractor employees.
- ❑ Disincentive for potential CRADA collaborators to work with federal labs. ☹️



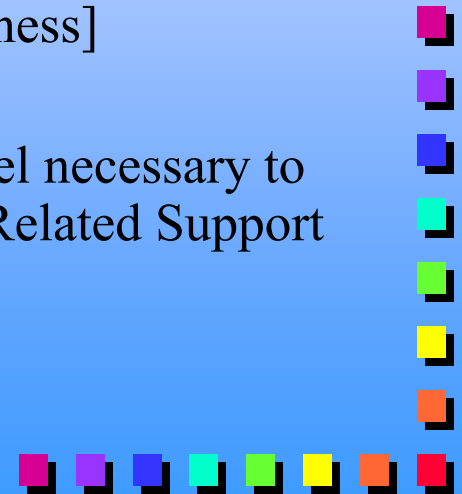
## *Support Contractors in federal labs*

### Legal Issue Digression

Does B-D really apply to support contracts? B-D applies to “funding agreements,” i.e., “. . . any contract, grant, or cooperative agreement entered into between any federal agency, . . . and any contractor **for the performance of experimental, developmental, or research work** funded in whole or in part by the Federal Government.”

35 USC 201(b) [E.O. 12591 – B-D apply to large business]

Scope of Work: “The contractor shall provide all personnel necessary to provide nonpersonal Research and Development and Related Support Services.”



## *Support Contractors in federal labs*

### Possible Solutions

- ❑ Declaration of Exceptional Circumstances (DEC)
- ❑ 2004 amendment to 37 CFR Part 401
- ❑ Contract modification/CRADA with support contractor



## *Support Contractors in federal labs*

### Possible Solutions – DEC

“...exceptional circumstances when it is determined by the agency that restrictions or elimination of the right to retain title to any subject invention will better promote the policy and objectives of this chapter . . .”

- ❑ Pro: Takes care of the issue (if it can be done)
- ❑ Con: Muy complicado [none by DoD]. Takes forever and contractor has extensive appeal rights. 35 USC 202(b)(1), (2), (4).



## *Support Contractors in federal labs*

Possible Solutions – 37 CFR 401.3(a)(5) and  
alternate 401.14

(5) If part of the contract requires the contractor to perform work on behalf of the Government under a CRADA, the C.O. may include alternate paragraph (b) from Sec. 401.14. Because it is based on a DEC, the C.O. shall ensure the appeal procedures of Sec. 401.4 are satisfied if alternate is used.

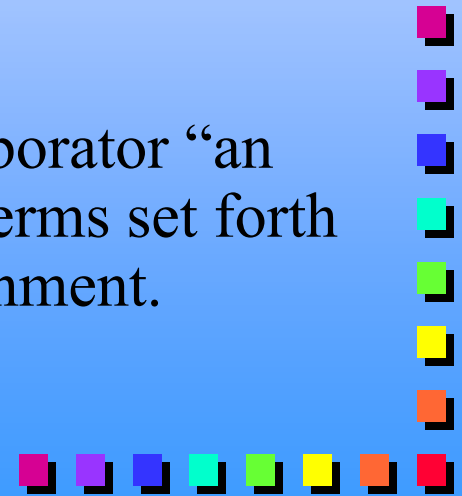


## *Support Contractors in federal labs*

Possible Solutions – 37 CFR 401.3(a)(5) and  
alternate 401.14

Government may **require the contractor to negotiate an agreement** with the collaborator regarding rights to contractor Subject Inventions.

- ❑ Prior to contractor doing CRADA work
- ❑ Upon identification of a Subject Invention
- ❑ If no agmt, Contractor agrees to grant collaborator “an option for a license of the same scope and terms set forth in the CRADA for inventions by the Government.



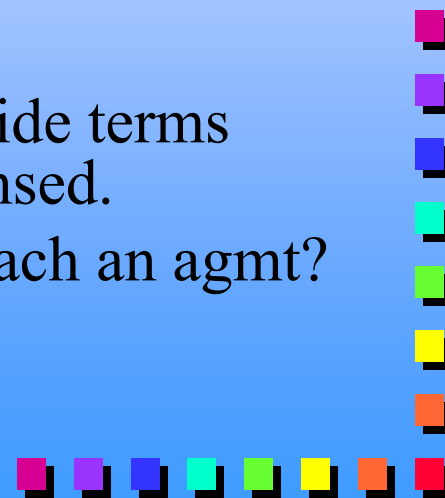
## *Support Contractors in federal labs*

Possible Solutions – 37 CFR 401.3(a)(5) and  
alternate 401.14

Pro: Takes care of issue.

Con:

1. Adds time to doing CRADA
2. May scare off potential collaborators
3. If no agmt, most CRADAs don't provide terms under which Gov. inventions would be licensed.
4. How can Gov. require 3<sup>rd</sup> parties to reach an agmt?



## *Support Contractors in federal labs*

Possible Solutions – Modified procurement  
contract/CRADA

**AFTER** award of the contract:

- ❑ Contractor agrees to transfer/assign IP rights to lab.
- ❑ Lab agrees to treat contractor employees like fed. Employees for distribution of royalties.

15 USC 3710c



## *Support Contractors in federal labs*

Possible Solutions – Modified procurement  
contract/CRADA

Pro:

- ❑ Takes care of Issue
- ❑ Incentivizes contractor's employees
- ❑ Contractor does not get involved in IP risks.

Con:

- ❑ May not work with contractors w/IP interests. Possible  
Solutions – Modified procurement  
contract/CRADA

