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THE BAYH-DOLE ACT & PUBLIC RIGHTS IN FEDERALLY FUNDED INVENTIONS: WILL THE AGENCIES EVER GO MARCHING IN?

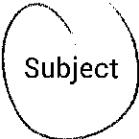
Northwestern University Law Review; Chicago Vol. 109, Iss. 4, (2015): 1083-
Whalen, Ryan.1116.



Abstract

For over thirty years, the Bayh-Dole Act has granted **federal** agencies the power to force the recipients of **federal** research **funding** to license the resulting inventions to third parties. Despite having this expansive power, no **federal** agency has ever seen fit to utilize it. This Note explores why Bayh-Dole march-in rights have never been used, and proposes reforms that would help ensure that, in the instances when they are most required, the public is able to access the inventions it bankrolled. There have been five documented march-in petitions since the Bayh-Dole Act was passed into law. Each petition was dismissed by the **funding** agency without progressing to the march-in proceeding stage. Even if one of these petitions had made it to the proceeding stage it is unlikely that a march-in would have occurred. The Bayh-Dole Act's march-in rights are designed in such a manner that makes their effective use highly unlikely. Procedurally, they offer expansive protections for patent holders and More

Details



Inventions;
Patents;
Licenses;
Petitions;
Interest groups;
Government agencies;
Design;
Technology transfer--

Title	THE BAYH-DOLE ACT & PUBLIC RIGHTS IN FEDERALLY FUNDED INVENTIONS: WILL THE AGENCIES EVER GO MARCHING IN?
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Close Web of Science Page 1 (Records 1 -- 1) ◀ [1] ▶ Print**Record 1 of 1****Title:** Bayh-Dole beyond borders**Author(s):** Hemel, DJ (Hemel, Daniel J.); Ouellette, LL (Ouellette, Lisa Larrimore)**Source:** JOURNAL OF LAW AND THE BIOSCIENCES Volume: 4 Issue: 2 Pages: 282-310 DOI: 10.1093/jlb/lx011 Published: AUG 2017

Abstract: The Bayh-Dole Act, which encourages patents on federally funded inventions, has been criticized for forcing consumers to 'pay twice' for patented products-first through the tax system and again when the patentee charges a suprarevenue price. Supporters counter that patents promote commercialization, but it is doubtful that this benefit can justify the Act's present scope. One important feature of Bayh-Dole, however, has been overlooked in this debate-a feature that arises from the global-public-good nature of knowledge. Without patents on US taxpayer-funded inventions, the United States would have no practical way of internalizing the positive externalities these inventions confer on consumers in other countries. Put differently, the charge that Bayh-Dole forces US consumers to 'pay twice' misses the point that eliminating some Bayh-Dole patents would permit non-U. S. consumers to avoid paying at all. To be sure, this 'internalization theory' was not the rationale upon which sponsors of the Act relied. And like commercialization theory, it cannot justify the Act's present scope. Rather than relying on internalization theory to defend Bayh-Dole, we highlight ways in which this novel theory can inform Bayh-Dole debates.

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Abstract: The Bayh-Dole Act, which allows patenting of federally funded research, has been praised for driving growth but also criticized for creating unnecessary deadweight loss and contributing to a patent "anticommons." Much of the controversy stems from Bayh-Dole's differing effects on different inventions. The dominant justification for Bayh-Dole patents is commercialization theory: the idea that exclusive rights are necessary to bring inventions to market. This theory is convincing for inventions like pharmaceuticals with high regulatory barriers and low imitation costs, but not when exclusivity is unnecessary for commercialization, such as for Stanford's widely licensed patents on early recombinant DNA technology. The problem is that for many government-funded inventions it is difficult to determine whether exclusive patent grants are necessary to incentivize commercialization.

To solve this difficulty, we propose a "market test" for federally funded inventions at universities and other nonprofits. Before charging significant licensing fees for these inventions, these federal grant recipients would first be required to find out whether firms would be willing to commercialize the invention in exchange for a nonexclusive license with a nominal fee. If a company is willing to commit to developing the invention under a nonexclusive license, then an exclusive license or a nonexclusive license with high fees would be contrary to the public interest. More generally, using a formal economic model, we show that deadweight loss can be reduced through an auction that forces bidders to reveal the least amount of exclusivity needed to induce commercialization, that revenue cap bidding is more efficient than duration bidding, and that defensive bidding by firms that consume as well as produce the invention will not increase deadweight loss. We discuss how the market test requirement could be structured and how due diligence milestones and other provisions could be used to discourage gaming.

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