

THE BAYH-DOLE ACT

What Academic Founders Need to Know

A reference guide for researchers whose work is supported by federal funding

Introduction

The Bayh-Dole Act (Patent and Trademark Act Amendments, P.L. 96-517) was signed into law in 1980. Before it passed, inventions made with federal research funding belonged to the federal government resulting in fewer than 5% ever being commercialized. The Act changed this by allowing universities, nonprofits, and small businesses to retain ownership of inventions made with federal support, provided they meet specific disclosure and commercialization obligations. Bayh-Dole applies whenever a federal agency funds research and the practical result was transformative. Universities built technology transfer offices, patenting activity increased dramatically, and academic research became a significant driver of commercial innovation. The Act is the legal foundation for the entire university technology transfer system. At its core, Bayh-Dole is an exchange. The university gets to own and commercialize the invention and in return, it accepts a set of obligations to the federal government as listed below.

THE UNIVERSITY RECEIVES...	IN EXCHANGE FOR...
The right to elect title to inventions made with federal funding.	Promptly disclosing each invention to the federal funding agency.
The right to patent and license those inventions.	Making good-faith efforts to commercialize. Sitting on IP without action is not permitted.
The right to grant exclusive licenses to private companies.	Giving preference to small businesses when licensing and ensuring the invention is used for the benefit of the public.
Royalty income from licensing, shared with inventors.	Acknowledging government rights in every patent and publication arising from the funded work.

Finally, the federal government retains two permanent interests, a government license and march-in right, regardless of what the university or licensee does. A government license is a nonexclusive, nontransferable, irrevocable, royalty-free license to practice the invention anywhere in the world for or on behalf of the United States. This license exists automatically and cannot be negotiated away. March-in rights, alternatively, are the authority to require the patent owner to grant licenses to additional parties if the invention is not being commercialized adequately, or if action is needed to meet health or safety needs.

Impact of Bayh-Dole on Inventors

The Act creates obligations for universities which are passed on to inventors through employment agreements, IP policies, and grant terms. As a researcher who has made an invention using federal funds, your personal obligations are:

1

Disclose promptly to your TTO

You must disclose the invention to your institution's Technology Transfer Office promptly after conceiving it. Most institutions require disclosure as soon as you

recognize the invention has potential commercial value, well before any public presentation or publication.

2**Disclose in writing**

The Bayh-Dole regulations require written disclosure. An email or conversation does not satisfy the requirement. Complete your institution's invention disclosure form. The written record is what starts the formal clock for institutional and federal reporting.

3**Identify all federal funding**

You must identify every federal grant, contract, or cooperative agreement that supported the research that produced the invention. This includes grant numbers, agency names, and the period of performance.

4**Cooperate with TTO on patent filing**

If the university elects to file a patent, you are obligated to cooperate in executing documents, reviewing applications, and providing the technical information needed to prosecute the application. This obligation continues even if you leave the institution.

5**Acknowledge government support in patents and publications**

Every patent application covering a subject invention must include the statement: 'This invention was made with government support under [contract number] awarded by [agency]. The government has certain rights in the invention.' Many journals require similar disclosure.

Disclosure Timing

Disclosure to the TTO starts a chain of reporting obligations with specific deadlines as listed here:

EVENT	DEADLINE	CONSEQUENCE OF MISSING IT
Inventor discloses to TTO in writing	As soon as practicable after conception	Starting point for all downstream clocks. Delay here compresses every subsequent deadline.
TTO discloses to federal funding agency (via iEdison*)	Within 2 months of inventor's written disclosure	Government may assert title to the invention. Post-2018: no time limit on government's ability to claim.
University elects whether to retain title	Within 2 years of agency disclosure (or 60 days before patent bar date if earlier)	If university does not elect, government may claim title. If patent bar date is imminent, the 60-day rule applies.
University files patent application	Within 1 year of election (or before statutory bar date)	Failure to file may result in loss of patent rights or government claiming title.
University reports utilization to agency	Annually, and at grant closeout (HHS 568 for NIH; varies by agency)	Non-compliance can affect future funding eligibility and triggers audit risk.

**iEdison (iedison.gov) is the federal government's electronic system for Bayh-Dole compliance reporting. University TTO manages submissions on behalf of the inventors.*

Bayh-Dole Impacts Startup Paths

Bayh-Dole does not prevent you from forming a startup around federally funded technology, but it does shape the terms under which that can happen.

IMPLICATION	WHAT IT MEANS IN PRACTICE
The university owns the invention, not you	Even if you are the sole inventor, the invention belongs to your institution. Your startup must license the technology from the university.
The license must reflect government rights	Any license the university grants to your startup must acknowledge the government's nonexclusive license and march-in rights. A license that attempts to exclude or override these government rights is not valid.
Preference for US manufacturing	Bayh-Dole requires that products using the licensed invention and sold in the US be substantially manufactured in the US. This affects supply chain decisions for hardware-based spinouts.
Exclusive, but conditional licenses are permitted	The university can grant your startup an exclusive license, which is often necessary to attract investment. But exclusivity must be paired with diligent commercialization. A startup that holds an exclusive license and does not develop the technology creates march-in risk.
Royalty sharing flows to you as inventor	Bayh-Dole requires that universities share royalties with inventors. The specific percentage varies by institution. This applies whether the licensee is your startup or a third party.
The government's license follows the technology	If your startup sublicenses the technology, is acquired, or assigns the license, the government's rights travel with it. A buyer or sublicensee inherits the Bayh-Dole obligations, including the government license.

Potential Bayh-Dole Mistakes To Avoid

MISTAKE	WHY IT MATTERS
Not disclosing because 'the research is early stage'	The disclosure obligation arises when you conceive the invention. Early-stage technology that is later commercialized without proper disclosure creates retroactive compliance exposure.
Forgetting a funding source from a prior grant cycle	If a prior grant contributed to the research that produced the invention, that funding source must be disclosed. The obligation attaches to the research, not just the active grant.
Assuming the TTO handles everything without input from you	The TTO manages the institutional and federal reporting and rely on inventors for accurate, complete information. Errors in disclosure forms become errors in the federal reporting.
Forming a company before the license is executed	A company built on federally funded technology has no legal right to use that technology until a Bayh-Dole-compliant license is in place. Forming the company first does not create that right.
Not including the government support statement in publications	Journals require disclosure of federal funding in published papers. Omitting the acknowledgment statement from a patent application is correctable but requires a certificate of correction.