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Protecting and Enforcing Intellectual Property Rights in Government Contracts
Preserving IP Rights in a Complex Regulatory Environment

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Acquisition of IP Rights in Government Contracts

• What is Intellectual Property?

• Differences between Government and Commercial Contracts
  • Sovereign Immunity
    • Federal Waivers of Sovereign Immunity
    • State Waivers of Sovereign Immunity
  • Pre-set Rules

• Patents

• Copyrights

• Trade Secrets

• Trademarks
What is Intellectual Property?

- Intellectual property law is grounded in two separate clauses of the U.S. Constitution: the Intellectual Property Clause and the Commerce Clause.
- IP law also has strong common-law roots.
- In principle, any new creation is protectable by some form of intellectual property right.
  - Patents
  - Copyrights
    - Time-limited exclusivity in exchange for disclosure
  - Trademarks
    - Consumer protection – State and Federal
  - Trade Secrets
    - Unfair competition
Differences Between Government and Commercial Contracts

- Government contracts are broadly similar to commercial contracts
  - Offer & acceptance
  - Consideration
  - Terms
- But, critical differences
  - The Government has sovereign immunity.
  - Pre-set rules govern contract interpretation, performance, and enforcement.
    - The Christian doctrine – omitted clauses are “read in” to all Government contracts.
    - The Government can only be bound by a person with actual authority.
Sovereign Immunity

• The United States cannot be sued unless it consents to liability by waiving sovereign immunity.
  
  • "It has often been said that one of the hardest things in the world is to sue the federal government. This is no mere truism. Government is protected from suit by the doctrine of sovereign immunity." AINS v. United States, 56 Fed. Cl. 522, 524 (2002), aff'd, 365 F.3d 1333 (Fed. Cir. 2004).
  
  • "The United States, in the absence of its consent, is immune from suit." Marathon Oil Co. v. United States, 374 F.3d 1123, 1126 (Fed. Cir. 2004).
  
  • Courts have jurisdiction "only where and to the extent that the government has waived its sovereign immunity, and any waiver of sovereign immunity cannot be implied but must be unequivocally expressed." Ledford v. United States, 297 F.3d 1378, 1381 (Fed. Cir. 2002).
Sovereign Immunity

• State sovereign immunity also must be expressly waived.

• Generally, State sovereign immunity cannot be waived by an Act of Congress, but rather must be waived by the State itself—either expressly or at the Constitutional Convention.
Sovereign Immunity

- State sovereign immunity has been applied separately to various forms of IP:
    - Congress tried to reverse this via the Commerce Clause in 1990's Copyright Remedy Clarification Act, but efforts to use the Commerce Clause to waive State sovereign immunity were rejected in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996).
  - Trade secrets: As creatures of State law, trade secret claims turn on the extent of a particular State's waiver of sovereign immunity.
Federal Waivers of Sovereign Immunity

- Patents and Copyrights – 28 U.S.C. §1498:
  - Suing over infringement of patents and copyrights not as valuable to contractor.
  - Government defends contractor infringement.
    - But see Zoltek
  - Contractor cannot use patents for procurement advantage.
Federal Waivers of Sovereign Immunity

• Trade Secrets – The Tucker Act, 28 U.S.C. § 1491:
  • The Tucker Act vests jurisdiction in the Court of Federal Claims for "any claim against the United States founded either upon the Constitution, or any Act of Congress or any regulation of an executive department, or upon any express or implied contract with the United States."
  • But it does not create jurisdiction over IP claims not based on a breach of contract.
Federal Waivers of Sovereign Immunity

- Trade Secrets – The Tucker Act, 28 U.S.C. § 1491:
  - So the Tucker Act does not confer patent jurisdiction under a Takings Clause theory. Any action against the U.S. Government must satisfy Section 1498. See Zoltek v. United States, 442 F.3d 1345 (Fed. Cir. 2006), cert. den. (dismissing Zoltek's extraterritorial patent infringement claim as outside the scope of the government's sovereign immunity waiver).
  - But it does confer trade secret jurisdiction where the government allegedly entered into an implied-in-fact agreement to protect the confidentiality of a bidder's information and then converted the alleged trade secret. Pi Electronics v. United States, 55. Fed. Cl. 279 (2003).
Federal Waivers of Sovereign Immunity

• Trade Secrets – The Federal Tort Claims Act, 28 U.S.C. §§ 2671-2680:
  • FTCA grants any district court jurisdiction over torts committed by government agents or employees, but excludes intentional torts and torts based on the exercise or failure to exercise legitimate governmental discretion.
  • Disclosure of trade secrets is not discretionary because it is prohibited by the Freedom of Information Act.
  • A "breach of confidence" is involved when the government induces a private party to disclose a trade secret, and then supplies that trade secret to another private party.
  • Thus, trade secret disclosures can be actionable under FTCA. *Jerome Stevens Pharmaceuticals v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005).
Federal Waivers of Sovereign Immunity

  • "The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, shall not be immune from suit in Federal or State court by any person, including any governmental or nongovernmental entity, for any violation under this chapter."
State Waivers of Sovereign Immunity

• State waivers run the gamut:
  • Utah sovereign immunity “is waived as to any contractual obligation.” Ut. Stat. § 63-30d-301 (1)(a).
  • “The state of Vermont shall be liable for injury to persons or property . . . caused by the negligent or wrongful act or omission of an employee of the state while acting within the scope of employment, under the same circumstances, in the same manner and to the same extent as a private person would be liable to the claimant.” 12 V.S.A. § 5601 (a).

• Participation by a State in IP litigation can act as an implied waiver, but it is very narrowly construed. Board of Regents of the University of Wisconsin System v. Phoenix Int’l Software, Inc., ___ F.3d ___, 2010 WL 5295853 (7th Cir., Dec. 28, 2010) (Wisconsin allowed to assert sovereign immunity over trademark infringement counterclaims even after it appealed an adverse TTAB ruling on registration to a district court).
Pre-set Rules

- Government contracts are interpreted according to pre-set rules
  - Tucker Act (Disputes) – 28 U.S.C. § 1491
  - Federal Acquisition Regulations – CFR Title 48 and Agency supplements
    - Regulations change periodically, but a given contract is governed by the FAR clause in effect at the time the contract was signed.
  - Civilian and Defense agencies operate under slightly different rules
    - Civilian
      - Focused on short term purchases or fundamental R&D
    - Defense:
      - Armed Service Procurement Act – 10 U.S.C. §§ 2301-2329
      - DOD, NASA, Coast Guard
      - Focused on long term sustainability
Pre-set Rules

• Intellectual property rights in government contracts are governed strictly
  • Failure to disclose: *Campbell Plastics Engineering & Mfg., Inc. v. Army*, 389 F.3d 1243, 73 U.S.P.Q.2d 1357 (Fed. Cir. 2004)
    • Government takes patent title for failure to report subject invention
    • Requirements governed by FAR 52.227-11 and by statute (35 U.S.C. § 202)
  • Failure to mark: *Night Vision Corp. v. United States*, 68 Fed. Cl. 368 (Fed. Cl. 2005)
    • Contractor delivered prototype goggles without restrictive markings required under DFARS 252.227-7018
    • Total loss of rights since failed to mark goggles as containing restricted software or data. No exceptions created to allow merely marking related technical documents to also protect goggles

• Multiple requirements for IP
  • Reporting
  • Notice
  • Dispute provisions
  • Later rights to use
Pre-set Rules

• State-level IP procurement is not governed by consistent rules
  • Not subject to federal procurement laws
    • Except when purchased through government, e.g., GSA’s Cooperative Purchasing authorized under Section 211 of the E-Government Act of 2002
  • ABA Model Procurement Code
    • Model Procurement Code does not address IP
    • Adopted in AL, AZ, AK, CO, HI, IN, KY, LA, MD, MT, NM, RI, SC, UT, VA, OR
• Multiple needs
  • Long term projects: Construction
  • Short term projects: Software, Leases
  • University-level Research and Development and licensing of University IP
  • Public disclosure through Open Records Acts
Patents

- Government ownership of a patent is unnecessary and largely inconsistent with Agency missions
  - Exceptions
    - Nuclear weaponry or power inventions – owned by DoE
    - Invention Secrecy Act – can suppress inventions for national security reasons
    - Incentives to transfer technology for wider commercial adoption
      - Federal government is poor licensor
      - Universities far better
      - Growing problem with respect to non-practicing entities

- The government is usually content with a government-purpose license
  - Government obtains both the right to use and allow third party use for government purposes (i.e., spare parts)
  - Exceptions
    - NASA: 42 U.S.C. § 2457(a) requires waiver or government owns
    - DOE: 42 U.S.C. §§ 2182 & 5908 require waiver or government owns

- License may be compelled
  - For government-funded inventions, march-in rights
  - For privately funded inventions, no injunctions under 28 U.S.C. § 1498, so “eminent domain”-type infringement
Copyrights

- Government wants to give out copies freely and cannot own copyrights in government works.
- “Copyright,” as a category, is somewhat inconsistent with Government IP law.
  - Instead, “technical data” and “computer software”
  - “Technical data” – blueprints, reports, designs, etc. – limited right to make copies
    - Trade secret rights (not copyrights under 17 U.S.C.) prevent showing copies to non-government personnel
  - “Computer software” – limited to number of copies given
    - Government’s rights are limited in comparison with technical data
    - Commercial computer software can be governed by commercial license if that is spelled out in the contract
- Must be properly marked
Trade Secrets

- Trade secrets also are protected by the government’s “Technical Data” and “Computer Software” clauses
  - Thus, government-purposes rights at a minimum, or commercial rights in appropriate circumstances
- Proper trade secrets are protected against disclosure under FOIA (most commonly, Ex. 4) – and even improperly marked materials must be validated.
- Rights depend on funding and marking
  - Limited (technical data)/Restricted (computer software) – at private expense, subject generally to commercial terms
  - Government-purpose –mixed funding, release only for “Government purposes” – reverts to Unlimited after 5 years
  - SBIR – for small businesses, regardless of funding – reverts to Unlimited after 5 years
  - Unlimited – Government-funded, freely disclosed and used for any Government purpose and under FOIA
    - Note, though, that FAR 52.227-14 (c)(1)(iii) (December 2007) still theoretically restricts the distribution of copyrighted computer software to the public.
Trade Secrets

• Civilian agencies do not want trade secrets
  • Want total dissemination
  • Exception: Commercial items (software) - will do whatever is market norm
  • Often do not accept restricted deliveries (Limited or Restricted rights)

• Defense agencies
  • Want to use for second source of goods
    • Need enough rights to maintain long and short term
    • Recognized early on will need to allow proprietary material
    • Allow submission, but only if marked properly
      – Very important to mark or will likely lose rights
Trademarks

- No policy or clause governing trademarks
- Trademark use is necessary (and essentially automatic) to the extent the Government needs the right to disseminate information or support a product
  - Need rights to show ownership if Government controls quality
    - Most fielded products are developed to Government specifications
  - Need to prevent consumer confusion
  - Need enough rights in trade dress to allow re-procurement, repair
  - Need enough rights to establish certification program
    - Example: ENERGY STAR
Protecting and Enforcing Intellectual Property Rights in Government Contracts

Strategies for Preservation of Patent Rights

(Or, if you prefer, Rights in Inventions & Patents)

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Overview

- Quick Review – IP Basics

- Inventions & Patents Made Under Govt Ks
  - Subject Inventions
  - Background Inventions

- Use of Third-Party Patents Under Govt Ks

- Questions?
Quick Review – IP Basics
Table 2-1. The Most Common Types of Intellectual Property Protection  
(See Appendix B for detailed discussion)

<table>
<thead>
<tr>
<th>Type of IP Protection</th>
<th>Protectable Subject Matter</th>
<th>Nature of Protection/Rights Granted to the IP Owner</th>
<th>Requirements for Protection</th>
<th>Remedies Available</th>
<th>Duration of Protection</th>
<th>Statutory Basis</th>
<th>DoD Specific Statutes/Regs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patents</td>
<td>Processes, machines, articles of manufacture, and compositions of matter.</td>
<td>Right to exclude others from making, using, selling, or importing the invention; sometimes referred to as the right to exclude others from “practicing” the invention.</td>
<td>Application filed in U.S. Patent &amp; Trademark Office; invention must be new, useful, and non-obvious.</td>
<td>Money damages, and, injunction.</td>
<td>20 years from application date.</td>
<td>Title 35 U.S.C.; 28 U.S.C. 1498(a).</td>
<td>FAR 27.1 to 27.3 and related clauses; DFARS 227.3 and 227.70, and related clauses.</td>
</tr>
<tr>
<td>Copyrights</td>
<td>Original, creative works fixed in a tangible medium of expression (e.g., literary, musical, or audiovisual works; computer programs).</td>
<td>Exclusive right to (1) copy; (2) modify; (3) perform; (4) display; and (5) distribute copies of the copyrighted work. No protection against independent creation of similar works, or against certain “fair uses.”</td>
<td>Automatic when fixed in a tangible medium; added remedies for registration and notice.</td>
<td>Money damages (actual or statutory), injunction, and criminal sanctions.</td>
<td>Life of the author plus 70 years.</td>
<td>Title 17 U.S.C.; 28 U.S.C. 1498(b).</td>
<td></td>
</tr>
<tr>
<td>Trade Secrets</td>
<td>Any information having commercial value by being kept secret (e.g., technical, business, or financial information)</td>
<td>Right to control the disclosure and use of the information through contracts or nondisclosure agreements; protection against theft or misappropriation of that information, but not from independent creation or discovery by another party.</td>
<td>Must take reasonable steps to safeguard the information from disclosure; reasonableness depends on the value of the information.</td>
<td>Money damages, injunction, and criminal sanctions.</td>
<td>Potentially unlimited, as long as remains secret.</td>
<td>18 U.S.C. 1905; 18 U.S.C. 1831-39; various state laws.</td>
<td>10 U.S.C. 2320 and 2321; DFARS Subparts 227.71 and 227.72, and related clauses.</td>
</tr>
<tr>
<td>Trademarks and Service Marks</td>
<td>Distinctive words, phrases, or symbols that identify the source of goods or services.</td>
<td>Protection from confusingly similar marks, deception, and unfair competition in the marketing of goods and services.</td>
<td>Automatic upon use in commerce; added remedies for registration and notice.</td>
<td>Money damages, injunction, and criminal sanctions.</td>
<td>Federal registration can be renewed every 10 years.</td>
<td>Title 15 U.S.C.; various state laws.</td>
<td>None; although a new draft FAR subpart is under development.</td>
</tr>
</tbody>
</table>

Notes:
1. Information provided here for “utility” patents—the type most common in DoD acquisitions; see Appendix B for details on “plant” patents and “design” patents.
2. There is no injunctive relief available against the government for patent or copyright infringement; see 28 U.S.C. 1498(a) and (b).
3. This right is more formally called the right to create a “derivative work” by modifying an existing copyrighted work.
4. Although private individuals cannot enforce criminal penalties, violations of criminal statutes may be reported to the appropriate authorities.
Overview of IP in a DoD Acquisition

USD(AT&L) Guidebook:

Navigating Through Commercial Waters: Issues and Solutions When Negotiating Intellectual Property With Commercial Companies

(Ver 1.1, 15 Oct 2001)

Contractor-Developed IP

- USG almost never "owns" the IP
  - Contractor may retain title
  - USG takes only a nonexclusive license

Policy: USG takes only the MINIMUM necessary
  - Deliverables
  - License rights
Procurement Contracts

- Rights in Inventions & Patents (FAR Part 27.2, .3)
  - Subject Inventions – mandatory, non-negotiable
  - Background Inventions – no coverage
  - 3rd Party Inventions – authorization & consent

- Rights in Technical Data and Computer Software (FAR 27.4; DFARS 227.71 & .72)
  - Hybrid License – trade secrets & copyright & …
  - Commercial vs. Non-commercial
  - Negotiation vs. standard or “default” licenses
    - Standard licenses based on who funded
Overview

Inventions & Patents
Made Under
Government Contracts
Overview – Excerpts from the Text

1. Rights versus Ownership [p.40]
   a. Making a Subject Invention [p.42]
   b. Contractor Must Have Disclosure System in Place [p.46]
   c. Invention Disclosure and Election of Title [p.47]
3. Commercializing the Subject Invention [p.50]
   a. March-In Rights [p.50]
   b. Commercialization Reports [p.52]
4. Subcontracting Issues [p.53]
5. Agency-Specific Statutes and Requirements [p.54]
   a. Department of Energy (DoE) Patent Clauses [p.54]
   b. NASA Patent Clauses [p.57]
0. Review of Authorities

PART I – Inventions Made Under Federal Contracts

- **Statutes:**
  - 35 USC §§ 200-204, 210 (selected sections from the Bayh-Dole Act)
  - 42 U.S.C. §§ 2182, 5908 (DoE-specific statutes)
  - 42 U.S.C. § 2457 (NASA-specific statutes)

- **Executive Guidance:**
  - Executive Order 12591 … (Section 1(b)(4) & (5)). (Available on the Portal)

- **Regulations:**
  - 37 C.F.R. Part 401, *Rights To Inventions Made By [NPOs & SBs] Under [Funding Agreements]*
  - Federal Acquisition Regulations (FAR)
    - Regulation: FAR 27.3, *Patent Rights Under Government Ks // Clauses*: FAR 52.227-11, -13 (and note that -10 exists)
  - Defense FAR Supplement (DFARS)
  - Department of Energy (DoE) Acquisition Regulation (DEAR)
  - NASA FAR Supplement (NFS)

0. Review of Authorities

Part II – Use of Third-Party Inventions Under Federal Contracts

- Statutes:
  - 28 U.S.C. § 1498(a)

- Executive Guidance:
  - Nada

- Regulations:
  - Federal Acquisition Regulations (FAR)
    - Regulation: FAR 27.2, Patents and Copyrights
    - Clauses: FAR 52.227-1 to -9 (primary clauses 52.227-1, -2, -3)
  - Defense FAR Supplement (DFARS): None
  - Department of Energy (DoE) Acquisition Regulation (DEAR)
    - Regulation: DEAR 927.2, Patents
    - Clauses: DEAR 952.227-9
  - NASA FAR Supplement (NFS): None
Patent Rights – FAR 52.227-XX

Primary Rights-Determinative Clauses:

-11: Small biz, nonprofits, educational institutions – Contractor Retains Title
  - Regardless of whether Prime or Sub
  - Requires use of DFARS 252.227-7039

-13: Special cases (foreign, “exceptional circs”) – Government takes Title

-1: Authorization & Consent
  - Basic for R&D; Alt I for other

-3: Patent Indemnity – only for commercial technologies (see also ¶(h) of FAR 52.212-4)

As Always, Ask Yourself: Does Christian Doctrine Apply???????
1. Rights versus Ownership [p.40]

- Bayh-Dole – it’s all about
  - Contractor == right to retain title
  - Government gets at least a nonexclusive USG purpose license

- Focus on Small Business (SB) and Non-profit Org (NPO)

- Extended to “Large Business” (meaning non-SB/NPO)
  - Statute
  - Exec Order and Pres Memo
1. Rights versus Ownership [p.43]

- Bayh-Dole ... applies to
  - All agencies, all the time, without exception
  - But only to “funding agreements”
    - Contracts, Grants, and Cooperative Agreements
    - For experimental, developmental, or research ... funded in whole/part by Fed

- Subcontracts too!

- But . . . Built-in Exceptions to the general rules
  - USG can take title in any of four enumerated cases
    - Distinguish: normal operation of clause, vice Kor breach

- For non-SB/NPO: agency-specific statutory authority
  - DoE
  - NASA

1. Rights versus Ownership [p.43]

- The Four Cases When Govt Takes Title
  - “Foreign” Kor [read closely!]
  - “Exceptional Circumstances” – note narrowly tailored
  - USG needs for foreign intelligence/counterintelligence
  - DoE G.O.C.O. dedicated to naval nuclear propulsion/weapons

- The Fifth Case: Statute or agency regs (27.302(v)).

- Again – distinguish from Right to take title if Kor breach
2. "Subject Inventions" Made Under K
   [p.45]

   a. Making a Subject Invention  [p.42]

   b. Contractor Must Have Disclosure System in Place [p.46]

   c. Invention Disclosure and Election of Title [p.47]
Subject Inventions: inventions made under the K
(“made” = conception OR actual reduction to practice)

- Contractor must --
  - Disclose the invention
  - Elect whether to retain title
  - File a patent application
  - Commercialize

- Government
  - Nonexclusive license -- NON-Negotiable!!!!
    - Covers use by Government contractors – by or on behalf of U.S.
  - May take title for failure to comply with requirements
  - "March-in" rights – do NOT panic
  - “Invention surveillance” -- enforcing Kor obligations
Rights in Inventions & Patents

**Background Inventions** = any invention *other than a subject invention*

- No standard clauses or procedures…
  - Not affected by FAR patent rights clauses
  - Not affected by DFARS data/software rights clauses

- Implied License to use delivered hardware/software

- NO injunctive relief against Uncle Sam
Perfect example of the rule: check your definitions!

“Made” means—

- (1) When used in relation to any invention other than a plant variety, means the conception or first actual reduction to practice of the invention; or

- (2) When used in relation to a plant variety, means that the contractor has at least tentatively determined that the variety has been reproduced with recognized characteristics.

(FAR 27.301; 52.227-11(a); -13(a); Agency Supps)

Note: compare with 35 USC 201 (don’t panic!)
2.a. Making a Subject Invention  [p.45]

- “Conception” is the …
  - “formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice. An idea is sufficiently definite and permanent for conception if it provides one skilled in the art with enough guidance to understand the invention, that is, when the inventor has a specific, settled idea, a particular solution to the problem at hand, not just a general goal or research plan he hopes to pursue”

- Actual Reduction to Practice
  - Physical embodiment …
  - Tested or demonstrated to work …
    - Intended environment
    - … as determined by a “person of ordinary skill in the art” (POSA)
2.a. Making a Subject Invention [p.45]

- Actual Reduction to Practice – issues and considerations
  - All elements of the claimed invention
  - Laboratory vs. actual environment
    - “Simulation” of environment
    - Relevant factors – issues that affect the operation of invention
    - Harsh/special environs—hard/impractical to simulate: Aircraft cases; space; undersea?
  - Not perfect – but demonstrated ….
    - Beyond probability of failure
    - To a POSA
  - Investment as an indicator
  - On the Horizon: Computer Simulations – McDonnell Douglas case(s)
2. b. Contractor Must Have Disclosure System in Place [p.49]

... And Then Some!

- More than the Classics at -11(c): disclose; elect; file

- See also -11(e): Kor action to protect USG interests
  - Confirmatory instruments; employee requirements and training;

- Four more available at 27.303(b)(2):
  - Interim & final reports; patent filing info; Cys of patent apps
  - See DFARS 252.227-7039, used w/ FAR 52.227-11

- Compare above with: FAR -13(e)&(f); DFARS -7038(e)
2. c. Invention Disclosure and Election of Title [p.50]

- Invention Disclosure: -11(c)(1)
  - 2 mos after inventor discloses to PatentGeek w/in Kor’s system
    - Big Biz: or w/in 6mos of Kor finding out anyway, whichever earlier
  - Details necessary!!! Technical AND Publication/public use

- Election of Title: -11(c)(2)
  - 2 yrs of Disclosure. TWO YEARS!?
    - BUT -- Must be prior to 1yr after statutory bar event
    - Big Biz: 8mos (and always before the stat bar) (DFARS -7038(c)(2))

- Filing the Patent App: -11(c)(3)
  - 1 yr of Election –OR- Statutory Bar, whichever earlier
  - If provisional → regular w/in 10 mos

- Extensions of Time: -11(c)(4)
3. Commercializing the Subject Invention [p.53]

a. March-In Rights [p.53]

b. Commercialization Reports [p.55]

c. Preference for U.S. Industry [p.56]
3. Commercializing the Subject Invention

a. March-In Rights [p.53]

- §§ 202(c)(8), 203, and 210(c) – wow, this is serious 😊
  - See -11(h) … x-ref to the Commerce Regs

- Govt can require Kor to grant, or may itself grant, license IFF:
  - No practical application w/in reasonable time;
  - Health or safety ;
  - Public use requirements not being met; OR
  - Fail to comply with the § 204 stuff

- Not a CDA claim, but…
  - … must have administrative appeal
  - … and Petition the COFC

- Red Herring!!!
3. Commercializing the Subject Invention

[p.53]

c. Preference for U.S. Industry [p.56]

- §§ 202(c)(8), and 204 – pretty serious
  - See -11(g)

- No EXCLUSIVE license to use/sell in the U.S.
- UNLESS … manufactured substantially in the U.S.

- Waivers if –
  - Rsble but unsuccessful efforts … similar terms --OR—
  - Domestic mfr is not commercially feasible
4. Subcontracting Issues [p. 57]

N.B.: Clauses -- “flowdown” is ~always the last ¶

-11(k), Subcontracts:
  (1) use -11 in all subKs with SB/NPO
  (2) use appropriate PR clause in others as per 27.303
  (3) two parts–
    modified only re parties: USG = USG; SubKor = Kor
    Prime can not “force” rights from the subs
  (4) 3-way agreement b/t USG, Prime Kor, and SubKor:
    Clause = contract directly b/t USG and SubKor
    Only re the matters covered by the clause
    However, no CDA jurisdiction for March-In Rights procedures
Subcontracting Issues

- **Statutory Requirements** – reach to subcontractors at any tier
  - Bayh-Dole Act – for inventions & patents
  - 10 U.S.C. 2320 & 2321 – for tech data (regulatory analog for software)

- **Early Identification requirement** – includes [potential] subs & suppliers

- **Clause Flowdown** – required for any sub doing relevant work

- In general, the prime agrees to provide certain rights ... and subcontracting does not relieve this responsibility

- Government and subcontractor are permitted to transact business directly when dealing with sub’s IP!!!
5. Agency-Specific Statutes and Requirements [p.58]

{DFARS large-biz clause . . . Why not DFARS listed here?}

- Department of Energy (DoE) Patent Clauses [p.58]
  - 42 U.S.C. §§ 2182, 5908

b. NASA Patent Clauses [p.61]
  - 42 U.S.C. § 2457
0. Review of Authorities

PART I – Inventions Made Under Federal Contracts

■ Statutes:
  ■ 35 USC §§ 200-204, 210 (selected sections from the Bayh-Dole Act)
  ■ 42 U.S.C. §§ 2182, 5908 (DoE-specific statutes)
  ■ 42 U.S.C. § 2457 (NASA-specific statutes)

■ Executive Guidance:
  ■ Executive Order 12591 … (Section 1(b)(4) & (5)). (Available on the Portal)

■ Regulations:
  ■ 37 C.F.R. Part 401, *Rights To Inventions Made By [NPOs & SBs] Under [Funding Agreements]*

■ Federal Acquisition Regulations (FAR)
  ■ Regulation: FAR 27.3, *Patent Rights Under Government Ks // Clauses: FAR 52.227-11, -13* (and note that -10 exists)

■ Defense FAR Supplement (DFARS)

■ Department of Energy (DoE) Acquisition Regulation (DEAR)

■ NASA FAR Supplement (NFS)
Use of Third Party Patents Under Government Contracts
6. Third-Party Inventions and Patents [p.63]

a. Authorization and Consent [p.63]
   - 28 USC 1498(a)
     - Waiver of Sovereign immunity
     - Limitation on remedy – only money damages …
       - No injunction ~think eminent domain
     - Limitation on Defendant: USG only
   - But … also covers Contractors/subcontractors acting w/USG
     - “authorization OR consent”

b. Patent Indemnity [p.65]
   - Used only for commercial items
Questions?
Protecting and Enforcing Intellectual Property Rights in Government Contracts

Strategies for Preservation of Copyrights & Trade Secrets: The Basics; Data Rights in the Department of Defense, and in Civilian Agencies

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- Mr. Gray is presenting these materials in his personal capacity, not as a representative of the DoD or GW Law.
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Procurement Contracts

- Rights in Inventions & Patents (FAR Part 27.2, .3)
  - Subject Inventions – mandatory, non-negotiable
  - Background Inventions – no coverage
  - 3rd Party Inventions – authorization & consent

- Rights in Technical Data and Computer Software (FAR 27.4; DFARS 227.71 & .72)
  - Hybrid License – trade secrets & copyright & …
  - Commercial vs. Non-commercial
  - Negotiation vs. standard or “default” licenses
    - Standard licenses based on who funded
The Key Elements of Rights in Data & Software

- The Government generally receives only a license in the IP being acquired; the contractor retains title or ownership, and all other rights that are not granted to the Government.
- All technology licensing is divided up between two mutually exclusive categories of deliverables: technical data, and computer software. The policies and procedures governing acquisition of technical data are based on statutes; analogous policies and procedures are generally extended to computer software by policy.
- To ensure a successful acquisition, the contract must address both the delivery requirements, and the associated data rights, in all technologies developed or delivered under the contract.
- The Government generally seeks to acquire only the minimum deliverables, and associated license rights, necessary to meet its needs.
- The Government's license rights are determined in one of three primary ways: (1) by using one of the standard, Government-unique license categories that are defined in the acquisition regulations; or (2) by using the contractor's standard license agreement for a commercial technology; or (3) by negotiation of the parties to create specialized, mutually acceptable terms and conditions.
- The acquisition must distinguish noncommercial and commercial technologies; there are special policies and presumptions, and streamlined procedures, that govern acquisition of commercial technologies.
- In most cases, the scope of the Government's standard license rights in noncommercial technologies are directly proportional to the relative level of Government funding provided for development of the technology: more Government funding results in a license of more broad scope.
- For commercial technologies the Government generally receives the same deliverables, and same license rights, that are customarily provided to the public. Commercial technologies are presumed to have been developed entirely at private expense and thus would otherwise result in the Government receiving a license of narrow scope.
- In all cases, the parties are free to negotiate specialized license rights that most effectively balance the parties interests. In some cases, the statutes or regulations provide certain minimum license rights that the Government must receive.
- The regulations generally require that the parties identify and resolve these issues as early as possible in the acquisition—preferably prior to contract award.
- The regulations generally apply the same rules at both the prime and subcontract levels; in most cases, the Government and subcontractor may transact matters directly regarding rights in data or software.
The Key Elements of Rights in Data & Software

- The Government generally receives only a license in the IP being acquired; the contractor retains title or ownership, and all other rights that are not granted to the Government.

- All technology licensing is divided up between two mutually exclusive categories of deliverables: technical data (TD), and computer software (CS). The policies and procedures governing acquisition of technical data are based on statutes; analogous policies and procedures are generally extended to computer software by policy.

- To ensure a successful acquisition, the contract must address both the delivery requirements, and the associated data rights, in all technologies developed or delivered under the contract.

- The Government generally seeks to acquire only the minimum deliverables, and associated license rights, necessary to meet its needs.
The Key Elements of Rights in Data & Software

- The Government's license rights are determined in one of three primary ways: (1) by using one of the standard, Government-unique license categories that are defined in the acquisition regulations; or (2) by using the contractor's standard license agreement for a commercial technology; or (3) by negotiation of the parties to create specialized, mutually acceptable terms and conditions.

- The acquisition must distinguish noncommercial and commercial technologies; there are special policies and presumptions, and streamlined procedures, that govern acquisition of commercial technologies.

- In most cases, the scope of the Government's standard license rights in noncommercial technologies are directly proportional to the relative level of Government funding provided for development of the technology: more Government funding results in a license of more broad scope.

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The regulations generally apply the same rules at both the prime and subcontract levels; in most cases, the Government and subcontractor may transact matters directly regarding rights in data or software.
Data & Software Basics

- Govt cannot require Contractors to relinquish certain minimum rights.

- Early Identification & Assertion of Restrictions
  - Standard DFARS clause for NONcommercial
  - MUST supplement for commercial!!!!

- Definitions are CRITICAL . . . do NOT underestimate

- Specialized "validation" process

- Subcontracting issues . . . same rules . . . ~almost privity
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## I. Strategies for Preservation of Copyrights & Trade Secrets

### A. The Basics: Copyrights & Trade Secrets - in Technical Data and Computer Software

1. Technical Data vs. Computer Software
   2. Data Deliverables vs. Data Rights
   3. Commercial vs. Noncommercial technology
   4. Asserting Proprietary Restrictions: Listing and Marking
Technical Data (TD) vs. Computer Software (CS)

- Copyright & Trade Secret license rights jointly referred to as "data rights" ("rights in technical data" & "computer software rights")
  - **Technical Data (TD):** any recorded information of a scientific or technical nature
    - Includes computer software documentation, but not computer software
  - **Computer Software (CS):** two subtypes
    - Computer Programs: executable or object code – causes a computer to perform a function
    - Source code and design details (e.g., flowcharts, design documentation, etc)
- **Issues:**
  - Mutually exclusive definitions
  - But -- "databases" are they tech data or software? Or Both?
  - Software design details … just tech data related to a program?
“Technical data” means recorded information, regardless of the form or method of the recording, of a scientific or technical nature (including computer software documentation). The term does not include computer software or data incidental to contract administration, such as financial and/or management information.

“Computer software” means computer programs, source code, source code listings, object code listings, design details, algorithms, processes, flow charts, formulae and related material that would enable the software to be reproduced, recreated, or recompiled. Computer software does not include computer data bases or computer software documentation.

“Computer program” means a set of instructions, rules, or routines recorded in a form that is capable of causing a computer to perform a specific operation or series of operations.

“Computer software documentation” means owner's manuals, user's manuals, installation instructions, operating instructions, and other similar items, regardless of storage medium, that explain the capabilities of the computer software or provide instructions for using the software.

“Computer data base” means a collection of data recorded in a form capable of being processed by a computer. The term does not include computer software.
Some details on Tech Data

- Two main types of Tech Data
  - TD that "relates to" or "pertains to" an item, component, or process (a.k.a., the "end item")
    - Detailed design or manufacturing info
    - Operation or maintenance manuals
  - TD that IS the "end item" (the primary thing being acquired)
    - Studies, analyses, test data, reports . . . Perhaps maps?
    - More common in basic/fundamental research

- Sci/Tech info that is formatted as a database = tech data, not computer software
Some Details on Computer Software

- Computer Software – or “computer program” in the DFARS is also an operational end-item
  - It causes a computer to do something
  - Not just information related to an end-item

- Source Code vs. Object/executable code
  - **Source Code**: human-readable, for programming
  - **Object/executable Code**: machine-readable, causes computer to perform ops
I. Strategies for Preservation of Copyrights & Trade Secrets

A. The Basics: Copyrights & Trade Secrets - in Technical Data and Computer Software

1. Technical Data vs. Computer Software

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3. Commercial vs. Noncommercial technology

4. Asserting Proprietary Restrictions: Listing and Marking
Data Deliverables vs. Data Rights

- **Data Deliverables**
  - The specific technical data or computer software that is required to be delivered or otherwise provided to the Government under the contract

- **Data Rights**
  - The legal right to use, reproduce, modify, perform, display, release, disclose the TD or CS

- **Note: "Inchoate Rights"**
  - Data rights in TD or CS that is NOT delivered (a required deliverable)

- **Note: FAR "withholding" model (limited TD & restricted CS)**
Data Deliverable vs. Data Rights

- **Govt MUST specify the Deliverable (Delivery Requirements)**
  - NO delivery requirements in the clauses
  - Well …. *Deferred Ordering* (DFARS 252.227-7027)

- **Specify three aspects for each deliverable (See "Navigating….")**
  - **Content** (e.g., level of detail or nature of information)
    - Critical: distinguish human-readable source code from machine-readable object/executable code
  - Recording/storage format (e.g., image files vs. word processing format)
  - Delivery/storage medium (e.g., CD-ROM, or on-line access).

- **Defined by**
  - Specification: CDRLs and DIDs
  - Performance-based: data/software necessary for …
Emerging Issues in "Delivery"

- Electronic (remote) access
  - Challenges in "re-marking" for individual customers

- Drafts and In-Progress Reviews
  - "working" markings
  - Early peeks at non-deliverables

- "Software as a Service" (SaaS)
  - When it's over, it's over!
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Commercial Technologies

- “Commercial item” defined at FAR 2.101 (41 USC 403(12))
  - Read carefully! Lots and lots of factors/prongs
  - Pay special attention to the TWO “modification” prongs

- “Commercial computer software” defined at FAR 2.101
  - Compare DFARS 252.227-7014(a)(1)

- “Commercially available off-the-shelf item” – DFARS 202.101 (41 USC 431(c)(1))

- “Nondevelopmental item” defined at FAR 2.101 (41 USC 403(13))

- So, to say “commercial technical data” (CTD) means—
  - TD related to a commercial item; or
  - TD that IS a commercial item.
Commercial Technologies -- TD

- **Statutory Coverage: does it cover commercial TD?**
  - DoD: 10 USC 2320 & 2321 – *expressly* includes commercial
  - Civilian/FAR: 41 USC 418a & 253d (not so much)

- **FAR 12.211**
  - “Except as provided by agency-specific statutes, the Government shall acquire only the technical data and the rights in that data customarily provided to the public with a commercial item or process. The contracting officer shall presume that data delivered under a contract for commercial items was developed exclusively at private expense. When a contract for commercial items requires the delivery of technical data, the contracting officer shall include appropriate provisions and clauses delineating the rights in the technical data in addenda to the solicitation and contract (see Part 27 or agency FAR supplements).”

- **DFARS 212.211**
  - “The DoD policy for acquiring technical data for commercial items is at 227.7102.”
Commercial Computer Software

- **Statutory Coverage:** there is NONE!!!!

- **FAR 12.212**
  - “(a) Commercial computer software or commercial computer software documentation shall be acquired under licenses customarily provided to the public to the extent such licenses are consistent with Federal law and otherwise satisfy the Government’s needs. Generally, offerors and contractors shall not be required to --
  
  - “(1) Furnish technical information related to commercial computer software or commercial computer software documentation that is not customarily provided to the public; or
  
  - “(2) Relinquish to, or otherwise provide, the Government rights to use, modify, reproduce, release, perform, display, or disclose commercial computer software or commercial computer software documentation except as mutually agreed to by the parties.
  
  - “(b) With regard to commercial computer software and commercial computer software documentation, the Government shall have only those rights specified in the license contained in any addendum to the contract. For additional guidance regarding the use and negotiation of license agreements for commercial computer software, see 27.405-3.”

- **DFARS 212.212**
  - “The DoD policy for acquiring technical data for commercial items is at 227.7102.”
b. The FAR Implementation

- **FAR 27.405-3 Commercial Computer Software**
  - *No specific contract clause* prescribed in this subpart need be used, but the contract shall specifically address the Government's rights to use, disclose, modify, distribute, and reproduce the software.
  - Section 12.212 sets forth the guidance for the acquisition of commercial computer software.
  - The clause at 52.227-19, Commercial Computer Software License, may be used when there is any confusion as to whether the Government's needs are satisfied or whether a customary commercial license is consistent with Federal law.
  - Additional or lesser rights may be negotiated using the guidance concerning restricted rights as set forth in 27.404-2(d), or the clause at 52.227-19.
  - Be careful when using standard commercial licenses – may have Terms and Conditions that do not meet agency needs or inconsistent with federal law.
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The Necessity of Asserting Proprietary Rights

- Do it . . . Or lose it!
  - Cannot restrict Govt rights unless marked ... and can't mark it unless it's identified in the (pre-award) listing

- Step 1: Pre-award → list and assert
  - Mandatory listing for deliverable data/software
    - FAR/DFARS for non-commercial, often extended to commercial
    - Mark your Proposals!!

- Step 2: Post-award → Update assertions & mark the deliverables
  - Restrictions on updating listings of assertions
  - Fail to mark . . . May undercut all of your efforts
  - Nonconforming & unjustified markings
Validation/Challenge of Restrictions (Markings)

- Non-Commercial Tech Data and Software
- In DoD: Only 5 legends are permitted – generally indicates the scope of the Government's license
  1. Copyright Notice from 17 USC 401 or 402
  2. "Government Purpose Rights" – both Tech Data and Software
  3. "Special License Rights" – both Tech Data and Software
  4. "Limited Rights" – only for Tech Data (incl. software documentation)
  5. "Restricted Rights" -- only for Computer Software
- OK, there are a couple more
  - "SBIR Data Rights"
  - Pre-existing markings
- All other legends are "nonconforming"
Validation/Challenge of Restrictions (Markings)

- **Commercial Technologies**
  - **Tech Data**: A restrictive legend is required under 252.227-7015(d) but … no specific format
  - **Computer Software**: no clause, and no specific requirement for a legend – follow standard commercial practices

- No specific legends provided for proprietary information other than data/software (e.g., non-technical info such as financial, commercial, or business information)
B. Data Rights in the Department of Defense

1. The “Default” License Categories
2. Commercial License Rights
3. Negotiated Licenses
4. Key Steps to Data Rights Success in DoD Procurements
5. Non-procurement vehicles (Assistance Agreements, CRADA, Other Transactions)
i. Standard Contract
Background - DoD’s “IP Guide”

USD(AT&L) Guidebook:

Navigating Through Commercial Waters: Issues and Solutions When Negotiating Intellectual Property With Commercial Companies

(Ver 1.1, 15 Oct 2001)

This is NOT –
Rights in Inventions & Patents

**Subject Inventions:** inventions made under the K

(“made” = conception OR *actual* reduction to practice)

- Government's License:
  - nonexclusive,
  - nontransferable,
  - irrevocable,
  - paid-up (~royalty-free, but … not free!)
  - license to practice, or have practiced for or on its behalf,
  - the subject invention
  - throughout the world.
The "Hybrid" License

- **Copyright**
  - Reproduce
  - Prepare Derivatives
  - Perform
  - Display
  - Distribute

- **Trade Secret**
  - Any/all activities
  - Focus on release & disclosure

- **"Data Rights"**
  - Use
  - Reproduce
  - Modify
  - Perform
  - Display
  - Release
  - Disclose
  - [FAR: distribute]
B. Data Rights in the Department of Defense

1. The “Default” License Categories
2. Commercial License Rights
3. Negotiated Licenses
4. Key Steps to Data Rights Success in DoD Procurements
5. Non-procurement vehicles (Assistance Agreements, CRADA, Other Transactions)
## DoD -- Technical Data (TD) and Computer Software (CS) in the DFARS

<table>
<thead>
<tr>
<th></th>
<th><strong>TD</strong></th>
<th><strong>CS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(10 USC §§ 2320 &amp; 2321)</td>
<td>(no specific statutes)</td>
</tr>
<tr>
<td></td>
<td>DFARS 227.71</td>
<td>DFARS 227.72</td>
</tr>
<tr>
<td>Commercial</td>
<td>227.7102</td>
<td>227.7202</td>
</tr>
<tr>
<td>Non-Commercial</td>
<td>227.7103</td>
<td>227.7203</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>SBIR - .7104</td>
<td>SBIR - .7204</td>
</tr>
<tr>
<td></td>
<td>Existing Works - .7105</td>
<td>Special Works - .7205</td>
</tr>
<tr>
<td></td>
<td>Special Works - .7106</td>
<td>A&amp;E - .7205</td>
</tr>
<tr>
<td></td>
<td>A&amp;E - .7107</td>
<td>A&amp;E - .7206</td>
</tr>
<tr>
<td></td>
<td>Contractor Data Repositories - .7108</td>
<td>Contractor Data Repositories - .7207</td>
</tr>
</tbody>
</table>
License Rights in TD & CS

- "Hybrid" license – covers specific activities
  - Use; modify; reproduce; perform; display; release or disclose;

- Rights Determined in THREE primary ways
  - By negotiation – mutual agreement
  - By "default": funding for development; type of deliverable; commercial technology?; data vs. software
  - Commercial Software: use VENDOR’s license as baseline

- Doctrine of Segregability (a.k.a. "divide & conquer"):
  - Rights determined at the "lowest practical segregable level"
DFARS License Rights in TD & CS

Determinations of Funding for “Development”

(DFARS to the rescue? DFARS 252.227-7013(a)(*))

- “Developed”
  - Must (i) exist, and (ii) be tested sufficiently to demonstrate….
  - Slightly different standard for TD, CP, CS, and CSD

- “Developed Exclusively at Private Expense”

- “Developed With Mixed Funding”

- “Developed Exclusively With Government Funds”

- BUT – Doctrine of Segregability!!!
Default (Standard) License Rights in TD & CS – DFARS

Scope Determined by Funding: More funding → more rights

- 100% Govt Funded → Unlimited Rights (UR)
- Mixed Govt-Private → Govt Purpose Rts (GPR)
- 100% Private → Limited Rights (LR) (for all TD)
  Restricted Rights (RR) (for CS)
  - Note: Commercial TD ~LR → Presumption of … Private Expense
- BUT – Doctrine of Segregability!!!
### Table 2-2. Rights in Noncommercial Computer Software (CS) and Technical Data (TD) Covering Noncommercial Items

<table>
<thead>
<tr>
<th>Rights Category</th>
<th>Applicable to TD or CS?</th>
<th>Criteria for Applying Rights Category</th>
<th>Permitted Uses within Government</th>
<th>Permitted Uses outside Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlimited Rights (UR)</td>
<td>Both TD and CS</td>
<td>Development exclusively at Government expense, also any deliverable of certain types—regardless of funding.</td>
<td>Unlimited; no restrictions.</td>
<td></td>
</tr>
<tr>
<td>Government Purpose Rights (GPR)</td>
<td>Both TD and CS</td>
<td>Development with mixed funding.</td>
<td>Unlimited; no restrictions.</td>
<td>Only for “Government purposes”; no commercial use.</td>
</tr>
<tr>
<td>Limited Rights (LR)</td>
<td>TD only</td>
<td>Development exclusively at private expense.</td>
<td>Unlimited, except may not be used for manufacture</td>
<td>Emergency repair/overhaul; evaluation by foreign government.</td>
</tr>
<tr>
<td>Restricted Rights (RR)</td>
<td>CS only</td>
<td>Development exclusively at private expense.</td>
<td>Only one computer at a time; minimum backup copies; modification.</td>
<td>Emergency repair/overhaul; certain service/maintenance contracts.</td>
</tr>
<tr>
<td>Prior Government Rights</td>
<td>Both TD and CS</td>
<td>Whenever Government has previously acquired rights in the deliverable TD/CS</td>
<td>Same as under the previous contract.</td>
<td></td>
</tr>
<tr>
<td>Specifically Negotiated License Rights (SNLR)</td>
<td>Both TD and CS</td>
<td>Mutual agreement of the parties; use whenever the standard rights categories do not meet both parties' needs</td>
<td>As negotiated by the parties; however, must not be less than LR in TD and must not be less than RR in CS.</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1. **Critical Need to Specify Deliverables.** The standard clauses address rights but do not include delivery requirements. The contract must explicitly specify the content, format, and
Notes on the FAR Implementation

● Unlimited Rights in (inter alia)—
  - *All data first produced in performance of the contract*

● No express coverage for –
  - Mixed funding
  - Definitions for “developed…”
  - Doctrine of segregability

● Limited Rights Data // Restricted Rights Software
  - Default: withhold, and deliver form/fit/function (FFF) instead
  - Alternates II and/or III: delivery may be required, and rights as set forth in the LR Notice
Notes on the FAR Implementation

- **Limited Rights Data**
  - “Limited rights data” *means data, other than computer software, that embody trade secrets or are commercial or financial and confidential or privileged, to the extent that such data pertain to items, components, or processes developed at private expense, including minor modifications.*
    - (Agencies may, however, adopt the following alternate definition: “Limited rights data” *means data (other than computer software) developed at private expense that embody trade secrets or are commercial or financial and confidential or privileged* (see 27.404-2(b)).
  - “Limited rights” *means the rights of the Government in limited rights data, as set forth in a Limited Rights Notice.*

- **Restricted [Rights] Computer Software**
  - “Restricted computer software” *means computer software developed at private expense and that is a trade secret; is commercial or financial and confidential or privileged; or is copyrighted computer software; including minor modifications of such computer software.*
  - “Restricted rights” *means the rights of the Government in restricted computer software as set forth in a Restricted Rights Notice.*
B. Data Rights in the Department of Defense

1. The “Default” License Categories

2. Commercial License Rights
   3. Negotiated Licenses
   4. Key Steps to Data Rights Success in DoD Procurements
   5. Non-procurement vehicles (Assistance Agreements, CRADA, Other Transactions)
c. The DFARS Implementation

- **DFARS 227.7102**
  - Presumption of Development Exclusively at Private Expense
  - Standard commercial deliverables –except
    - (1) Are form, fit, or function data;
    - (2) Are required for repair or maintenance of commercial items or processes, or for the proper installation, operating, or handling of a commercial item, either as a stand alone unit or as a part of a military system, when such data are not customarily provided to commercial users or the data provided to commercial users is not sufficient for military purposes; or
    - (3) Describe the modifications made at Government expense to a commercial item or process in order to meet the requirements of a Government solicitation.

- Rights are specified in the -7015 clause (~Limited Rights)

- **NOTE:** use the -7013 if Govt pays for ANY portion of development costs
c. The DFARS Implementation

- **DFARS 227.7202**
  - Policy mirrors FAR 12.212
  - No specific contract clause prescribed
  - Parties may negotiate for mutually acceptable specialized licenses
  - Covers Commercial CS Documentation too!!!!
    - Wait! Isn’t that TD, not CS? Isn’t there a statute?
  - **NOTE:** No equivalent to the TD process in which the NONcommercial clause is used if Govt pays for ANY portion of development costs
Table 2-3. Rights\(^1,2\) in Commercial Computer Software\(^3,4\) (CS) and Technical Data (TD) Covering Commercial Items\(^3,4\)

<table>
<thead>
<tr>
<th>Rights Category(^5)</th>
<th>Applicable to TD or CS?</th>
<th>Criteria for Applying Rights Category</th>
<th>Permitted Uses within Government</th>
<th>Permitted Uses outside Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlimited Rights (UR)</td>
<td>TD only</td>
<td>Any TD of certain specified types or classes, regardless of commercial status.(^6)</td>
<td>Unlimited; no restrictions.</td>
<td></td>
</tr>
<tr>
<td>Standard DFARS “7015” Rights</td>
<td>TD only</td>
<td>Default rights category for all TD covering commercial items except those qualifying for UR as stated above.</td>
<td>Unlimited, except may not be used for manufacture.</td>
<td>Only for emergency repair overhaul.</td>
</tr>
<tr>
<td>Standard Commercial License</td>
<td>CS only</td>
<td>Default rights category for all commercial CS.</td>
<td>As specified in the license customarily offered to the public, DoD must negotiate for any specialized needs.</td>
<td></td>
</tr>
<tr>
<td>Specifically Negotiated License Rights (SNLR)</td>
<td>Both TD and CS</td>
<td>Mutual agreement of the parties; should be used whenever the standard rights do not meet both parties’ needs.</td>
<td>As negotiated by the parties; however, by statute, the Government cannot accept less than the minimum standard 7015 rights in TD.(^7)</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. **Critical Impact on IP Delivery Requirements.** DoD policy is to acquire, in addition to lesser rights, only those IP deliverables that are customarily offered to the
b. The FAR Implementation

- No special coverage at FAR 27.4?
b. The FAR Implementation

- **FAR 27.405-3 Commercial Computer Software**
  - No specific contract clause prescribed in this subpart need be used, but the contract shall specifically address the Government's rights to use, disclose, modify, distribute, and reproduce the software.
  - Section 12.212 sets forth the guidance for the acquisition of commercial computer software.
  - The clause at 52.227-19, Commercial Computer Software License, may be used when there is any confusion as to whether the Government's needs are satisfied or whether a customary commercial license is consistent with Federal law.
  - Additional or lesser rights may be negotiated using the guidance concerning restricted rights as set forth in 27.404-2(d), or the clause at 52.227-19.
  - Be careful when using standard commercial licenses – may have Terms and Conditions that do not meet agency needs or inconsistent with federal law.
B. Data Rights in the Department of Defense

1. The “Default” License Categories
2. Commercial License Rights
3. Negotiated Licenses
4. Key Steps to Data Rights Success in DoD Procurements
5. Non-procurement vehicles (Assistance Agreements, CRADA, Other Transactions)
Negotiated Licenses

- Allowed – and encouraged – for any/all types of TD and CS – commercial and noncommercial.

- Limitations:
  - Noncommercial: at least Limited Rights in TD / Restricted Rights in CS
  - Commercial: at least ~Limited Rights for TD
Negotiating for IP and Beyond

- *Both* license rights *and* deliverables are negotiable!

- **Policy:** minimum to meet Govt needs
  - But don't forget Govt also "needs" reasonable Return on Investments
  - There is no "free money" in the private model – investors expect return!!

- **Interest-based negotiations** (IBN) techniques
  - Position: your default rights (~ also serves as objective criteria and starting point)
  - Interest: negotiate up or down to balance parties needs/interests
  - Figure out how this makes sense … *for them*

- **For Govt:** more is not necessarily better – *ya get what ya pay for ... and ya pay for what you get!*
  - Govt Purpose Rights is usually more than sufficient

- **The X-Purpose License Model** (based on DoD’s “Govt Purpose Rights”)
DFARS License Rights in TD & CS

- **FUNDING for development**
  - 100% Private
  - Mixed
  - 100% Govt

- **Government Purpose Rights (GPR)**
  - Unlimited Rights (UR)
  - Restricted Rights (RR)
  - Limited Rights (LR)

- **Commercial**

- **Specially Negotiated License**

**Global Exception:** Unlimited Rights for OMIT, FFF, CSD, etc

As of:
B. Data Rights in the Department of Defense

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4. Key Steps to Data Rights Success in DoD Procurements

5. Non-procurement vehicles (Assistance Agreements, CRADA, Other Transactions)
Protecting your Deliverable

- Critical Steps in Protecting Data and Data Rights
  - Early Identification and Listing of Asserted Restrictions
  - Apply the Correct Marking Before Delivery
  - Maintain Records for Validation Proceedings
  - Focus on Deliverables, Not Just Rights
  - Ensure That Both Sides Understand the IP Aspects of the Proposal
  - Negotiate for the Best Deal
License Rights in TD & CS

Doctrine of Segregability

... Severability?

How about "Divide and Conquer"?

- Rights determined at the "lowest practical segregable level"
  - Hardware: Subsystem, component, or sub-component
  - Software: module or even subroutine!
License Rights in TD & CS

Doctrine of …"Divide and Conquer"?

- Examples: DoD modification of a Commercial or Proprietary Technology
  - Aerial Refueling: Comm Deriv A/C w/a tail boom
  - Enhanced Engine: Commercial w/improved efficiency

- Example: Integration of Comm/Proprietary into an existing DoD system
  - Radar/Communications: Technology Refresh
  - Note: maybe even replacing the whole system … change in culture for supporting
The Three "Musts" to Protecting Your IP

- **Preserve** – by listing and asserting – EARLY
  - Mandatory for NON-commercial
  - Best practice for everything

- **Perfect** – by marking the deliverables correctly
  - Specific legends for noncommercial
  - Best practice commercial

- **Defend** – prepare for a "validation" proceeding
  - Prepare and keep records
  - Special Presumptions for commercial technology
Preservation Techniques (Cont.)
Don’t forget to verify the attachments

- **Listings of restricted data/software required by**--
  - DFARS 252.227-7017 and updated post-award by -7013(e) or -7014(e)
  - DFARS 252.227-7028
  - Special contract requirement for list of commercial TD or CS, or other proprietary info

- **License agreements**
  - "Standard" Commercial Computer Software License (a.k.a. "shrink-wrap" or "click-wrap" license)
    - CAREFUL! What happens to provisions that are “inconsistent with federal procurement law”?  
    - Specially negotiated licenses (under 7013(b)(4); 7014(b)(4); 7015(c), or for commercial software pursuant to 227.7202-3)
The Three Types of Marking Defects

- **Omission** – complete absence of markings
  - DoD/USG has "Unlimited Rights"

- **Nonconforming** – marking not one that is authorized for that type of TD/CS
  - Notice & 60 days to correct; or DoD will do it

- **Unjustified** – the asserted rights do are not consistent with the contract
  - Typically:
    - Inconsistent with earlier listings / negotiations
    - Formal validation process for all TD, noncommercial CS
    - Special presumptions/procedures for commercial technology
Preservation Techniques -- *Markings and Restrictive Legends*

- **The "conspicuous" req't**
  - However -- cover page, inside cover, header/footer, storage media or transmittal docs
  - ESPECIALLY tricky with electronic documents
    - Divide up a single document into smaller components
    - Internet as a source … check those copyright notices!

- **Ensure Markings are MEANINGFUL**
  - "Easy" when it's a defined/regulated mark
  - Harder – commercial/industry practices
  - Multiple markings – most restrictive governs
  - Procedural requirements for release!!!!!
    - Example: DFARS Standard Use & Non-Disclosure Agreement
Preservation Techniques -- Markings and Restrictive Legends (Cont.)

Common Ambiguities

- "Company X Proprietary"
  - Often used as generic "trade secret" mark
  - Any restrictions on use within the Govt?
  - What about our Support Contractors?
  - What about subcontractors … working for Company X?
  - Possible solution: ADD information specifying contract/license

- "© Company X 2003" perhaps with "All rights reserved"

- Unmarked?
  - Unlimited Rights – Noncommercial data/software, and arguably commercial tech data
  - This does NOT necessarily mean "public release"
    - If it's a Technical Document – it SHOULD have a Distribution Statement!!!
  - No markings required for COPYRIGHT protection
  - Markings are a CORE element for Trade Secrets, but not an absolute requirement
Standard Contract
Key Clauses - Validation/Challenge of Restrictions (Markings)

- **Civilian**: built into the FAR 52.227-14 clause

- **DoD**: key clauses and references
  - Nonconforming legends: ¶ (h) of the -7013 & -7014 clauses
  - Formal validation/challenge: -7019 and -7037

- **Nonconforming Legends**
  - Marking is not one of the permitted forms, content
  - Give Kor 60 days to correct … or we will do it (check the list!)

- **Unjustified Legends** – marking does not accurately characterize the Govt’s license *(Note: based on 10 USC 2321)*
  - Check the list!!!!!! (pre-award list - DFARS 252.227-7017; post-award -7013(e) or -7014(e))
  - Pre-challenge request for info
  - Formal challenge by Contracting Officer’s final decision
    - Handled like a claim under the disputes clause
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   (Assistance Agreements, CRADA, Other Transactions)
IP Authorities -- Vehicle Dependent

i. Standard FAR/DFARS contracting
   • FAR Parts 27 and 52.227-14 through 52.227-23
     – Supplements: X27 and X52.227-xx
     – DFARS Part 227, and clauses 252.227-7013-7039
   • Contracting for Commercial Items
     • FAR Part 12 & Supplements
     • DFARS 252.227-7015 provides statutory minimum for technical data (not software)

ii. Assistance Instruments – Grants, Cooperative Agreements, TIAs
   i. Agency-specific: e.g., DoD uses the DoDGARS
   iii. CRADA
     • 15 USC §3710a

iv. Other Transactions – agency-specific authorities
   • 10 U.S.C. §2371 (DOD, DHS)
   • 42 U.S.C. §2451(c)(5) (NASA)
Assistance Agreements (Grants, Cooperative Agmts, TIAs) (Cont)

- No unique statutory requirements – regarding IP rights, that is
  - Bayh-Dole Act for inventions under grants & cooperative agreements

- Regulatory Implementation:
  - OMB Circulars (e.g., A-102, A-110)
  - Agency-specific. Example: Department of Defense Grant and Agreement Regulations (DoDGARs) – 32 C.F.R. Parts 21 through 37

- General:
  - Contractor retains ownership
  - Government receives a license for “federal purposes”
    - Issue: different from DFARS’s “government purpose rights”? 
Assistance Agreements (Grants, Cooperative Agmts, TIAs) (Cont)

- Technology Investment Agreement (TIA) – a special name used for a Cooperative Agreement OR an “Other Transaction” (OT) for R&D

- DoDGARS Part 37 – relatively new and, by far, the most comprehensive treatment of IP issues
  - Negotiate rights that balance the parties interests and investments
  - Generally: standard “government purpose” license … which more closely aligns with DFARS definition
  - Important:
    - Restrictive markings
    - Nondisclosure agreements for use by 3rd parties
CRADAs

- Cooperative Research & Development Agreements – 15 USC 3710a
  - NOT simply a cooperative agreement for R&D (see TIAs)
  - No funding flowing from the Government
  - Both sides may provide personnel, services, equipment….

- Government (normally) receives a license in "subject inventions"
  - "...nonexclusive, nontransferable, irrevocable, paid-up license from the collaborating party to the laboratory to practice the invention or have the invention practiced throughout the world by or on behalf of the Government"
  - "March-in" rights to ensure commercialization of inventions

- Collaborator receives an Option for an Exclusive license in inventions made by Government employees

- No statutory allocation of rights for copyright or trade secrets, however
  - Government may not disclose trade secret or commercial or financial info received from the collaborator (e.g., when practicing subject invention)
  - Even Govt-generated info gains “trade secret” type protection if it
    - Would have been treated as such if received from collaborator
    - Generated under "this Chapter" (not necessarily this CRADA!)
Other Transactions

- The Wild West
  - No statutory limitations or mandatory allocation of rights – inventions & patents, or data & software
  - Note: special protection against FOIA release (10 USC 2371(i))

- Often look to standard DoD/DFARS rights
  - Most familiar to agreements officer
  - Strong policy backing

- Government most flexible on IP rights
  - Allow treatment of subject inventions as proprietary
  - Should try to use familiar definitions
    - Government set up to use limited rights, government purpose rights, unlimited rights
    - If getting other types of rights, use term “Special License” or non-familiar
  - Could use to obtain Government purpose rights when Government provides all funding
Questions?
Protecting and Enforcing Intellectual Property Rights in Government Contracts

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Strategies for Preserving Rights in Trademarks

Presented on behalf of Strafford Publications

Inventive Solutions
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   2. Who Receives Rights to Use?

C. Preservation Techniques
   1. Monitoring Process
A. Trademarks

- Trademarks protect name of service or product perceived by consumer
  - Mark owner has control over design and quality
- Never clear who owns mark where Government and Contractor developing system
  - Contractor builds
  - Government designs and uses design with any responsive bidder
A. Trademarks (Cont.)

- No official policy
  - Government previously immune to trademark liability
  - Government never considered itself as commercial entity having “marks”

- No standard FAR clause
  - FAR case 1998-018: Explicitly tabled since automatically conferred ownership without regard for who controls quality, based on patent rights, data rights presumptions
1. Traditional Contractor Position

- Little advantage from contractor standpoint (traditionally)
  - Trademark market not well explored by contractors
  - Quality control by government important in providing contractor immunity from tort suit using government contractor defense
1. Traditional Contractor Position (Cont.)

- Government contractor defense provides immunity from product defect suits if contractor can show Government made design choices
  - Provides an extension to the Federal Torts Claims Act, 28 U.S.C. § 2680(a) to contractors in limited situations based upon the Government’s discretionary decisions in selecting specifications
1. Traditional Contractor Position (Cont.)

  - United States Marine helicopter copilot was killed when the CH-53D helicopter crashed
  - Sued asserting defective design of an escape hatch based upon Virginia state causes of action

- **Supreme Court held**
  - Could only sue under FTCA since will directly impact procurement (state tort law displaced)
  - Allowing liability would conflict with Federal policies under FTCA by allowing suit against a contractor for following the specifications approved by Government
  - Government not liable since approval of specification is a discretionary function
1. Traditional Contractor Position (Cont.)

- Created the Government Contractor Defense Test
  1. the United States approved reasonably precise specifications;
  2. the equipment conformed to those specifications; and
  3. the supplier warned the United States about the dangers in the use of the equipment that were known to the supplier but not to the United States

- Trademark assertion by contractor could be admission that tort immunity waived
  - Would be an admission that the contractor, not government, exercised true discretion
    - Works against 1 through 2
    - Do you really want to say you control quality instead of government?

- Little traditional use for trademarks
2. Change in Contractor Position

- Increased interest in trademarks in contractor community
  - Caused by change in law
  - Caused by increased interplay between commercial and government marketplaces
2. Change in Contractor Position (Cont.)

- Strategic advantage since can use to enjoin government in *any* district court
  - Trademark Amendments Act of 1999
- Waived immunity under 15 U.S.C. §§ 1114 & 1122(a)
  - Whose immunity waived:
    - The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States
  - Where
    - in Federal or State court
  - From whom
    - by any person, including any Governmental or non-governmental entity
  - For what
    - for any violation under this chapter
      - infringement, dilution
2. Change in Contractor Position (Cont.)

- **15 U.S.C. § 1122(c) Remedies:**
  - “Such remedies include:
    - injunctive relief under [15 U.S.C. § 1116],
    - actual damages, profits, costs and attorney’s fees under [15 U.S.C. § 1117],
    - destruction of infringing articles under [15 U.S.C. § 1118],
    - the remedies provided for under [15 U.S.C. § § 1114, 1119, 1120, 1124, and 1125], and
    - for any other remedies provided under this chapter.”

- **Unique since injunctive relief not readily available outside of trade secrets, and not available in all District Courts**
2. Change in Contractor Position (Cont.)

- Very Tempting For Contractors To Use To Circumvent CICA
  - Limited exceptions including only one available source
  - By definition, trademark comes from only one source
  - Injunctive relief affects:
    - Responsiveness: other bid cannot bid since will not be responsive since cannot provide good
    - Responsibility: bidder cannot technically perform if enjoined or damages too large to allow continued production
2. Change in Contractor Position (Cont.)

- Contractors increasingly using commercial sales in addition to Government sales
  - Toys
    - *General Motors Corp. v. Lanard Toys Inc.*, 80 USPQ2d 1608 (6th Cir. 2006)
      - Use of trade dress of HUMVEE grille to prevent sale of toy with same grille on model HUMVEE
  - Video games
    - E.g., *Bell Helicopter Textron Inc et al v. Electronic Arts Inc*, 4:2006cv00841 (N.D. Tx)
      - Pending case related to assertion of trademark and trade dress violations by the display of Bell Helicopter products and names in video game
  - Commercial sales
      - Attempt to use distinctive trade dress of HUMVEE grille
- Need extends beyond strategic use in procurements
3. Traditional Government Position

- Little advantage from Government standpoint (traditionally)
  - Hence no guidance on the subject
- Belief was trademarks limited to commercial enterprises
  - Clear delineation between Government and contractor roles
  - Strong belief that Government names are not trade names needing protection
  - Government did not have a need for protection
    - Government symbols somewhat protected
      - 15 U.S.C. § 1052(b) prevents registration of national insignia
      - TMEP 1205 has list of statutes and protected insignias
    - Government can oppose marks if confusingly similar
      - NASA v. Record Chemical Co. Inc., 185 USPQ 563 (TTAB 1975)
4. Change in Government Position

- Increased interest in trademarks in Government community
  - Defensive uses
    - Ownership prevents false association
      - Public should be able to rely on names associated with Government agency
  - Increased interaction with commercial world
    - Can be used to implement agency agenda
      - Certification marks found to be useful
        - Certification marks (e.g., ENERGY STAR) if not certain are owner
        - Certification marks are certifications that product meets standard
        - Opposite of trademark in that cannot be originator
  - Licensing possible to control quality
4. Change in Government Position (Cont.)

- TAA Expanded Uses in commerce
  - Same waiver of sovereign immunity created new grounds for marks used by Government
    - All commerce which can be regulated by Congress
      - Interstate sales, transportation
      - Intrastate if affects interstate
    - 15 U.S.C. § 1122(a) now allows Lanham Act suit between Government entities
    - Congress can regulate at entity level such that each regulated entity is arguably for others in commerce
      - Federal facilities would seem to fall in commerce that Congress regulates
        - Federal Government uses are regulated
      - Services between agencies, programs in agency likely uses in commerce
  - More government marks can be registered
4. Change in Government Position (Cont.)

- Potential Uses In Scope
  - Products provided by Government
    - Preferred Risk Mutual Insurance, Co. v. United States
      - FEMA offered product under name of PREFERRED RISK found to be infringing
  - Facilities owned by the Government
  - Internal programs
    - Internal training, benefit plan administration, repair, accident investigations, business management, research, IT services, leasing
  - Want to ensure no knock off products/public confusion
    - Want to preserve association with agency

Inventive Solutions
4. Change in Government Position (Cont.)

- Lack of sales of product not dispositive
  - Governmental seals can be protected under Lanham Act
      - University sued t-shirt shop from making unauthorized t-shirts
      - University had not enforced rights, but later began licensing
        - Court held
          - Public universities had right to protect name
          - Past failure to prosecute not abandonment
        - Problem: likelihood of confusion
          - Need evidence whether public believes school sponsored
  - Shows that Governmental agencies can protect name even without producing/selling product

Inventive Solutions
4. Change in Government Position (Cont.)

- Products built to Government specifications
  - Owner of trademark need not be producer so long as public associates product/service with owner
  - Used extensively in private sector
    - Example: Nike does not make shoes, purchases shoes built to spec and sells under name
    - Example: OEM manufacturing of products
    - Example: Outsourcing
- Key to analysis is who controls quality
  - If no right to inspect, no ownership
- Government offers multiple products in commerce perceived to be Government even if are built by contractor
  - Military platforms
  - Space shuttle
- Associated program products
  - Websites, literature, pens, educational products
- Very feasible that Government can assert ownership on a number of levels
4. Change in Government Position (Cont.)

- Why now would the government assert ownership?
  - If Government program mark “owned” by partner/contractor
    - Causes confusion in public
    - Embarrassing
    - Allows public to be confused as to sponsorship
4. Change in Government Position (Cont.)

- Example of embarrassment: *In Re Los Angeles Police Revolver and Athletic Club Inc.*, 69 USPQ2d 1630 (TTAB 2003)
  - Club was selling products with TO PROTECT AND SERVE and applied for mark
    - LA Police have used TO PROTECT AND SERVE as slogan
  - Examining Attorney Rejected as showing false association with LAPD
  - TTAB held Club owned TO PROTECT AND SERVE in relation to clothing
    - Club was able to show that LAPD disclaimed that it sold goods with TO PROTECT AND SERVE
      - LAPD website actually said did not sell goods
      - Not mentioned is slogan appearing on Police Apparel
      - No evidence of ownership by LAPD
    - Was Evidence of close association with LAPD
  - Evidence (uncontested) that LAPD was closely associated such that association is not false

- Government does not like to have these situations in the papers
4. Change in Government Position (Cont.)

- Government also needs trademarks to prevent cybersquatting
    - Respondent attempted to register nasa.biz
      - NASA countered with showing of common law rights to NASA dating to 1958
      - Cited statutes, various NASA programs
      - Respondent did not reply
        - Presumption that no legitimate use
          - Held that NASA use was internationally famous and that Respondent was on notice of NASA and that was an attempt to cause confusion
      - Based on unregistered mark of NASA, Respondent ordered to assign name to NASA
  - Was not a problem before the internet
    - Need marks since most agencies do not have statutory marks useful in fighting cybersquatting
4. Change in Government Position (Cont.)

- New Licensing authority
    - Public Law 110-181 §882
    - 10 U.S.C. § 2260 was DoD trademark licensing authority
- Under new law, DoD can now license its marks for "military designations and likenesses of military weapons systems"
  - Added 10 U.S.C. § 2260(c)
    1. The Secretary concerned may license trademarks, service marks, certification marks, and collective marks owned or controlled by the Secretary relating to military designations and likenesses of military weapons systems to any qualifying company upon receipt of a request from the company.
    2. For purposes of paragraph (1), a qualifying company is any United States company that (A) is a toy or hobby manufacturer.
  - Fee required to be minimal
  - License required to be non-exclusive
4. Change in Government Position (Cont.)

- Problem with expanded authority
  - Same licenses that contractors trying to get in toys
    - *General Motors Corp. v. Lanard Toys Inc.*, 80 USPQ2d 1608 (6th Cir. 2006) (Use of trade dress of HUMVEE grille to prevent sale of toy with same grille on model HUMVEE)
    - *Bell Helicopter Textron Inc et al v. Electronic Arts Inc*, 4:2006cv00841 (N.D. Tx) (Pending case related to assertion of trademark and trade dress violations by the display of Bell Helicopter products and names in video game New authority could bring a more direct conflict in contractor and agency interests in marks related to military weapon system likenesses and designations)

- Will likely cause conflicts in procurement community as potential licensing defense to contractor assertions of likeness ownership
5. Potential Solutions

- May need explicit contract language for development programs
  - Sui generis for each contract where trademark protection needed
  - Other transactions best match for apportioning
- Important to know who is controlling quality and design for each contract
  - Not a problem for commercial items
  - More difficult in non-commercial items, teaming arrangements
Protecting and Enforcing Intellectual Property Rights in Government Contracts: Remedies Against the Government

Presented on behalf of Strafford Publications

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Government Misuse of IP

- Venues
  - Courts and BCAs
  - Administrative claims

- Remedies
  - Patents
  - Copyrights
  - Trademarks
  - Trade secrets
Venues for IP Disputes

- IP holders have several options for raising and resolving disputes with the Government.
- Contractors are required to engage in an informal appeals process before seeking relief before a Board of Contract Appeals or the Court of Federal Claims.
- Non-contractors also can – and are encouraged to – use the Government's administrative dispute resolution process.
- They may be able to sue in the Court of Federal Claims, U.S. District Courts, or even state courts, depending on the rights in dispute.
Administrative Claims

- All Government actions are subject to some sort of administrative review, as required by the Administrative Procedures Act, 5 U.S.C. §§700-706.
- Intellectual property disputes are subject to the same review.
  - Some procedures are spelled out in the statute, some in regulations.
  - Only trademark has no explicit regulation for agency-level review.
Administrative Claims

• Benefits of Administrative Claims
  • Cheaper
  • For patents and copyrights, extends period of liability
    • But only if the agency has authority to settle.
  • In denying claim, Government typically identifies existing uses
    • FAR 27.201-2 (c) requires patent indemnity for commercial supplies and services and FAR 52.212-4 (h) requires indemnity for all IP for commercial contracts under FAR Part 12 – this may tell you who else to sue.
  • Government has authority to license and is encouraged to settle:
    • DOD: 10 U.S.C. §2386
    • Energy: 42 U.S.C. §7261
    • Education: 20 U.S.C. §3480
    • NASA: 42 U.S.C. §2473
Administrative Claims

- The Claims Process
  - Notification: Written notice to Office of Counsel, describing rights
  - Response from agency
    - Counter offer
    - Initial decision
  - Reply: Contest Agency's position
  - License or Final Denial
    - Go to court under applicable statute if not satisfied
    - Apply for attorneys' fees (if applicable)
Administrative Claims

• Patents:
  • Elements of administrative claim are set forth at DFARS 227.7004.
  • Indirect notice (or notice not in compliance with DFARS 227.7004) does not constitute actual notice for purposes of Governmental liability. DFARS 227.7005.
  • Decisions are governed by DFARS 227.7006 (basically the same at other agencies).
  • 35 U.S.C. § 286 tolls damages for up to six years (between date of receipt of written claim for compensation and date of mailing of Government notice that his claim has been denied).
    • Tolling requires that the agency has authority to settle claims
Administrative Claims

• Copyrights
  • Same basic procedure as for patents
  • 28 U.S.C. §1498 (b) limits compensation against Government for infringement "committed more than three years prior to the filing of the complaint or counterclaim for infringement in the action."
  • But the period of administrative claim not counted towards three years "between the date of receipt of a written claim for compensation by the Department … having authority to settle such claim and the date of mailing by the Government of a notice to the claimant that his claim has been denied."
Administrative Claims

- **Trade Secrets**
  - Reverse FOIA
  - Validation procedures
    - Civilian validation procedures: FAR 52.227-14(e)
    - DoD: DFARS 252.227-7037 (Technical data) and DFARS 252.227-7019 (Software)
  - Increased disclosure risk based on perceived legislative policy following The Open Government Act of 2007?

- **Trademarks**
  - Nothing spelled out for administrative review
  - Agencies have not usually waited for authority and will review claims
  - No damages authorized to be paid by agency – could use Other Transaction authority?
Boards of Contract Appeals (BCAs)

- The Contracting Officer.
  - First line of communication – administers contracts and resolves disputes. 41 U.S.C. § 605.
- Board of Contract Appeals.
  - Set up under Contract Disputes Act for each Agency.
  - Court-like setting, with issues heard de novo before ALJ.
  - Final written decision.
- BCAs can decide non-monetary patent issues.
  - For example, in *Campbell Plastics Engineering v. Brownlee*, 389 F.3d 1243 (Fed. Cir. 2004), the ASBCA was held competent to decide that the Army had obtained title to a contractor's patent due to the inclusion of FAR 52.227-11 in the initial contract. (Contractor failed to submit necessary patent rights reports.)
  - But, no pendent jurisdiction over non-contract claims. See *Wesleyan v. Harvey*, 454 F.3d 1375 (Fed. Cir. 2006).
The Court of Federal Claims

- Court of Federal Claims is an Article I court with exclusive jurisdiction over patent and copyright claims against the Government. 28 U.S.C. § 1498.

- Contractors can appeal BCA decision to Court of Federal Claims, or appeal C.O. decision directly.
  - No deference to BCA's legal conclusions, but factual findings are conclusive unless "fraudulent, or arbitrary, or capricious, or so grossly erroneous as to necessarily imply bad faith, or if such decision is not supported by substantial evidence." 41 U.S.C. § 609 (b).

- Decisions reviewed by the U.S. Court of Appeals for the Federal Circuit.

- Also can hear some ancillary IP actions, e.g., Invention Secrecy Act claims. Honeywell Int'l et al. v. United States, 609 F.3d 1292 (Fed. Cir. 2010).
United States District Courts can hear certain limited classes of IP claims:

- Actions against the TVA. 41 U.S.C. § 609 (a)(2).
- Actions under the Federal Tort Claims Act, which may cover improper disclosures of trade secrets. *Jerome Stevens Pharmaceuticals v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005).
- Claims under $10,000 (concurrently with the Court of Federal Claims). 28 U.S.C. § 1346 (a)(2).
- Takings claims, including trade secret claims under *Ruckelhaus* but not patent claims under *Zoltek*, either via 42 U.S.C. § 1983 or directly, though courts differ as to which vehicle confers Article III jurisdiction.
  - Compare *Azul-Pacifico, Inc. v. City of Los Angeles*, 973 F.2d 704, 705 (9th Cir. 1992) (a Takings Clause plaintiff "has no cause of action directly under the United States Constitution. ... [A] litigant complaining of a violation of a constitutional right must utilize 42 U.S.C. § 1983") with *Mann v. Haigh*, 120 F.3d 34, 37 (4th Cir. 1997) (Takings Clause litigation is a "situation in which the Constitution itself authorizes suit against the federal government").
Remedies are IP-specific

- Patent: Damages only (no injunction), CFC only
- Copyright: Damages only (no injunction), CFC only
- Trade secret:
  - Damages
  - Reverse FOIA injunction
  - Preclude unauthorized distribution to competitor (breach of contract)
- Trademark: Damages and injunction
Federal Government liable for

- Direct infringement: using or manufacturing by the United States.
- Indirect Infringement: used or manufactured for the United States.

- Unique licensing, Bayh-Dole, and Patent Rights clause defenses:
  - Required rights or title transfer if the asserted patent is a "subject invention," but transfer is discretionary on the part of the government. *Central Admixture Pharmacy Svcs. v. Advanced Cardiac Solutions*, 482 F.3d 1397 (Fed. Cir. 2007)
  • Express, by inclusion of the appropriate FAR provision (e.g., FAR 27.202-1, clause 52.227-1).
    • Undermined by Zoltek – does 28 U.S.C. § 1498 (c) eliminate authorization-and-consent for contractors under 28 U.S.C. § 1498 (a) or 35 U.S.C. § 271 (g)?
  • Or ... can be implied by Government directed action or component selection that caused the infringing activity.
    • Advanced Software Design Corp v. Federal Reserve Bank of St. Louis, 2007 WL 3352365 (E.D. Mo., Nov. 9, 2007), aff'd, 583 F.3d 1371 (Fed. Cir. 2009) ("Though the government did not explicitly direct the defendant to infringe, and no formal contract existed between the government and the contractor, the only purpose in the demonstration was to comply with a government directive. ... Section 1498 by its terms does not require that there be a government contract mandating infringement").
  • Authorization and consent is limited to acts within the scope of the contract. Madey v. Duke University, 307 F.3d 1351 (Fed. Cir. 2002).
Patents

• No injunctions. Instead, "reasonable and entire compensation."
  • Hypothetical willing buyer/willing seller approach is the preferred damages calculation method.
  • Lost profits allowed.
  • Savings to the Government.

• Includes reasonable costs (e.g., attorneys fees and expert witness fees) if the patent owner is a nonprofit, small business with fewer than 500 employees or an independent inventor.

• May include compensation for Government's delay in paying for a license (effectively, interest, though not styled as such).
Patents

1. Enforcement of Government patents by licensees
   - Recently, several non-practicing entities have asserted Government patents against private companies.
   - Government is allowed to license on exclusive or nonexclusive basis, with or without right to enforce, and no need to add Government as co-plaintiff. 37 C.F.R. § 404.

2. Problem: Enforcement of licensee obligations?
   - Public notice
   - License in the public interest
   - Statement re: extent of practice in field
   - Conclusion that exclusive license is the only way to achieve "effective commercialization"
   - Requirement of effective commercialization
   - Reporting to licensor

3. Troll/NPE activity - A good opportunity to exercise march-in rights under 37 C.F.R. § 404.7(a)(2) or termination rights under 37 C.F.R. § 404.5(b)(9)?
Copyrights

- No waiver of sovereign immunity for ancillary copyright-related claims.
  - Thus, Government is immune from suit under the Digital Millennium Copyright Act's anti-circumvention provisions. See *Blueport Co. v. United States*, 71 Fed. Cl. 768 (Ct. Cl. 2006).

- Contract-based claims:
  - Regular breach of contract rules apply for technical data and computer software.
  - No injunction based solely on contract unless the copyright also involves limited or restricted rights, i.e., copyright expresses proprietary information.
Authorization and consent is a valid defense, as with patents.

Government can assert fair use, though courts have been skeptical.

- *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1995): Researchers making copies of scientific journals not fair use since copying precluded purchasing more copies from journal publishers.

- *Gaylord v. United States*, 595 F.3d 1364 (Fed. Cir. 2010): Reversing Court of Federal Claims finding of fair use for postage stamp bearing image of the Korean War Veterans Memorial without compensating the sculptor.

Government can obtain unlimited rights for failure to mark.

- *Ervin & Assocs. v. United States*, 59 Fed. Cl. 267 (2004): FAR Rights In Data-General clause applied because Ervin failed to mark all pages of copyrighted documents and because data (even unnecessary data) was first collated in the course of performing a government contract.

- In re: *General Atronics Corp.*, ASBCA No. 49196 (Mar. 19, 2002): "GAC did not mark the wireline interface software with a restrictive legend. Moreover, it did not incorporate any restrictions into a licensing agreement 'made part of [the] contract prior to the delivery date of the software.' Therefore, pursuant to DFARS 252,227-7012 (Oct. 1988), the Navy acquired unlimited rights in the software."
Copyrights

- **Special license rights**
  - Software maintenance rights allowed under FAR 52.227-19.
  - Form, fit, function data required to be unlimited rights for DoD contracts under 10 U.S.C. §2320.
  - These contract rights are strictly (and narrowly) construed: *Appeal of Ship Analytics International, Inc.*, ASBCA No. 50914 (ASBCA 2001): Right to perform software maintenance does not extend to upgrades since allowing would amount to granting unlimited rights.
Copyrights

- No injunctions for copyright infringement, but proprietary markings will be enforced (trade secret protection).

- Again, "reasonable and entire compensation."
  - Actual damages and profits.
  - Includes minimum statutory damages under 17 USC §504(c).
Trade Secrets

- Trade secrets are traditionally the most valuable IP asserted against the Government.
  - Trade secrets in technical data
  - Trade secrets in computer software

- Lawsuits can be filed with the Court of Federal Claims, U.S. District Courts, or BCAs. Is there now also an administrative remedy via the Chief FOIA Officer?

- Government must use administrative validation procedures to determine propriety of markings.
Trade Secrets

- In a validation dispute, the burden is on Government under 10 U.S.C. § 2321(d)(1)
  - "(A) reasonable grounds exist to question the current validity of the asserted restriction; and (B) the continued adherence by the United States to the asserted restriction would make it impracticable to procure the item to which the technical data pertain competitively at a later time."
- The same policy extends to software.
- Cannot shift initial burden of production except in the case of major weapons systems – 10 U.S.C. § 2321(f)(2)
Trade Secrets

• Validation is not the same as mismarking
  • Validation relates to properly marked data and Government believes wrong marking used (Limited v. Restricted)

• Mismarking means that the data was delivered with a nonconforming marking
  • Most common mismarking: "Proprietary" without listing whether data is Limited Rights, Restricted Rights, Government Purpose Rights, etc.
  • DFARS 252.227-7013(h)(2) and DFARS 252.227-7014(h)(2)
    • 60-day notice
    • "A nonconforming marking is a marking placed on technical data delivered or otherwise furnished to the Government under this contract that is not in the format authorized by this contract."
    • "the Government may ignore or, at the Contractor's expense, remove or correct any nonconforming marking."
Trade Secrets

- Without proper marking, you have no claim.
  - "This failure to use an appropriate data legend gave the government unrestricted use to the PNVG prototypes. Plaintiff's argument that it was sufficient to have affixed the legend to the 'technical drawings and documentation' associated with the goggles is not persuasive. To allow an exception to 252.2267-7018 as the plaintiff advocates would be contrary to the language of the regulation, contradict its intent, and ultimately render the regulatory protection of data unworkable." Night Vision Corp. v. United States, 68 Fed. Cl. 368 (2005).

- Failure to mark every page of allegedly proprietary information is fatal. Xerxe Group v. United States, 278 F.3d 1357 (Fed. Cir. 2002).

- Bell Helicopter Textron, ASBCA No. 21192, 85-3 BCA ¶ 18,415 (failed to mark drawings and failed to seek express determination of limited rights).
Trade Secrets

- 5 U.S.C. §§ 702 & 552: Reverse FOIA under APA: Government does not have discretion to reveal proprietary information
  
  
  
  - Similar protection for unpublished patent applications. 35 U.S.C. §122(a)
  
  - If under contract, Government is contractually bound to use validation procedures – outlined in 10 U.S.C. §2321 (most agencies use).
Trade Secrets

• Injunctions are available to prevent disclosure.

• Contract damages (actual or implied in fact).
  • Lost profits are available. Data Enterprises of the Northwest v. General Services Administration, GSBCA 15607 (Feb. 4, 2004).
  • But damages must be a sum certain, not, e.g., "at least 15%." Appeal of Rex Systems, Inc., ASBCA No. 54436 (21 July 2005).
    • ASBCA ultimately dismissed Rex's action on jurisdictional grounds. Appeal of Rex Systems, Inc., ASBCA No. 54436 (7 Nov. 2007).
Trademarks

• How to assert trademark rights against the Government
  • Lanham Act waived immunity; see 15 U.S.C. §§ 1114, 1122, & 1127.

• Whose immunity waived:
  • The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States.

• Injunctions are available
  • Unusual, since injunctive relief not readily available in other IP claims (save trade secrets).

• In Federal or State court
  • Unique, since other IP claims are limited to USDC/CFC/BCAs.
Trademarks

- Remedies include:
  - Remedies provided under 15 U.S.C. §§ 1114, 1119, 1120, 1124, and 1125
  - Any other remedies provided under the Lanham Act. 15 U.S.C. § 1122 (c).
- Any other remedies provided under the Lanham Act
  - State law remedies?
  - Possibly also liable overseas as a result of 1999 waiver?
  - Treble/punitive damages? Not excluded . . . though obtaining punitive damages against the government without a private bill would be unprecedented. . . .

- In procurement world
  - Injunctive relief means contract terminated for convenience
  - Indemnification for costs? Possible, but only if in contract
Trademarks

  - Respondent attempted to register nasa.biz
  - NASA countered with showing of common law rights to NASA dating to 1958
  - Based on unregistered "NASA" mark, Respondent ordered to assign name to NASA

- Likewise, Government now has been sued for infringing trademark rights – and the waiver has been found valid. *Trusted Integration Inc. v. United States*, 679 F.Supp.2d 70, 93 U.S.P.Q.2d 1453 (D. D.C. 2010).
The book . . .


About the Speaker

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Inventive Solutions
A. Subcontractor Unique Rights

- Subcontracting becoming larger part of procurement world
  - Teaming agreements
  - Fewer prime contractors
    - Prime contractors arrange work through subcontractors
  - Subcontracts and side agreements governed by commercial law
    - Only prime is in direct privity
- Special protections for subcontractors to primes in Government contract
  - Otherwise, no privity of contracts between subcontractor and Government
  - Would allow prime to obtain IP rights in subcontract
    - Government cares since loss of subcontractors reduces total pool of available talent
1. Flowdown From Prime

- Patents
  - FAR 52.227-11, FAR 52.227-13 & DFARS 252.227-7038 require flowdown
  - Prime required to ensure subcontracts for research & development include patent rights clause at any tier
    - Required to choose correct version
      - FAR 52.227-11(k)(2); FAR 52.227-13(i)(1); DFARS 252.227-7038(l)(1)
    - If choose wrong clause, it is breach of the prime government contracts
1. Flowdown From Prime (Cont.)

- License is directly to the government, not to the other contractors
  - E.g., FAR 52.227-11(k)(3) “At all tiers, the patent rights clause must be modified to identify the parties as follows: references to the Government are not changed, and the subcontractor has all rights and obligations of the Contractor in the clause.”
  - Remaining clauses have similar statements
  - Limited contractual privity solely for reporting
    - Can submit directly to contracting officer

Inventive Solutions
1. Flowdown From Prime (Cont.)

- Prime not beneficiary, but must ensure reporting performed
  - FAR 27.304-3(c) explicitly prohibits a prime contractor from using “their ability to award subcontracts as economic leverage to acquire rights for themselves in inventions resulting from subcontracts.”
  - DFARS 252.227-7038(l)(2) has similar provision
- FAR 52.227-11(k)(2); FAR 52.227-13(i)(1); DFARS 252.227-7038(l)(1) requires prime to choose correct clause
- Any withholding would be against prime to be applied against subcontractor
1. Flowdown From Prime (Cont.)

- What happens if forget to include?
  - No clear majority view, but are arguments that the clause is automatically included by operation of law
- Inclusion due to receipt of Government money
  - More traditional view (although no clear majority)
  - Arguable that could be read in through *Christian* doctrine
    - 35 U.S.C. § 202 applies to “funding agreements,” which include “any … subcontract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement.”
  - Arguable that rights conferred under joint adventurer theory
    - *Technical Development Corp. v. United States*, 171 USPQ 353 (Cl. Ct. 1971)
      - Subcontractor worked closely with third party who lacked express privity but received Government funds
1. Flowdown From Prime (Cont.)

- Inclusion Despite No Receipt of Government money
  - Arguable that Government rights are automatic regardless of other inventor assignments
    - New theory based upon consolidation required under Bayh-Dole
    - Inventor had validly assigned future invention under California law to company (Cetus)
      - Breach of employment agreement with Stanford
    - Inventor returned to Stanford and continued work on invention which was first conceived under Government contract while at Stanford
    - Federal Circuit held that Bayh-Dole Act did not consolidate ownership in Stanford since inventor had nothing to assign to Stanford
      - Cetus assignment was valid
    - Summary of Question on Cert: Does Bayh-Dole Act provide initial ownership in contractor regardless of other assignments.
1. Flowdown From Prime (Cont.)

- If arguments fail and no inclusion: Failure to include represents a breach
  - In general, the prime agrees to provide certain rights ... and subcontracting does not relieve this responsibility
    - Termination for default is serious enough
  - Same could apply if include wrong clause
    - E.g., include DFARS 252.227-7038 or FAR 52.227-11 instead of FAR 52.227-13
      - Could be liable for damage caused by lack of ownership
1. Flowdown From Prime (Cont.)

- Trade secrets and copyrights
  - FAR and DFARS require prime to obtain rights required by the contract
    - FAR 52.227-14: if rights not granted, no subcontract without authorization to deliver restricted rights/limited rights
    - DFARS more generous:
      - 10 U.S.C. § 2320 requires primes to flow down protections of clauses for technical data, computer software clause mirrors technical data
        - Rights in Tech Data and Computer Software – Noncommercial
        - Validation of Asserted Restrictions
  - EXCEPT: Not for subcontracts for commercial items
1. Flowdown From Prime (Cont.)

- Prime not beneficiary in DoD contracts
  - DFARS 252.227-7013(k)(2) & (k)(4) prevents prime from enlarging rights in technical data
    - No other clause shall be used to enlarge or diminish the Government's, the Contractor's, or a higher-tier subcontractor's or supplier's rights in a subcontractor's or supplier's technical data.
    - The Contractor and higher-tier subcontractors or suppliers shall not use their power to award contracts as economic leverage to obtain rights in technical data from their subcontractors or suppliers
  - DFARS 252.227-7014(k)(1) & (k)(2) has similar language
1. Flowdown From Prime (Cont.)

- Prime can extract rights outside of DoD Contracts
  - FAR 52.227-14(h)
    - The Contractor shall obtain from its subcontractors all data and rights therein necessary to fulfill the Contractor’s obligations to the Government under this contract. If a subcontractor refuses to accept terms affording the Government such rights, the Contractor shall promptly notify the Contracting Officer of the refusal and shall not proceed with the subcontract award without authorization in writing from the Contracting Officer.
  - Problem is that subcontractor can withhold data and if contracting officer does not accept refusal, it is a breach
1. Flowdown From Prime (Cont.)

- License is directly with Government and not to other contractors
  - DFARS 252.227-7013(k)(2)
    - Whenever any technical data for noncommercial items is to be obtained from a subcontractor or supplier for delivery to the Government under this contract, the Contractor shall use this same clause in the subcontract or other contractual instrument, and require its subcontractors or suppliers to do so, without alteration, except to identify the parties
      - DFARS 252.227-7014(k)(1) has similar language
  - Delivery is preferred through prime
    - DFARS allows delivery to contracting officer if delivering restricted data
- FAR does not allow delivery directly between subcontractor and Government
  - Practical reality is that the subcontractor may require direct delivery or withhold data
1. Flowdown From Prime (Cont.)

- **Validation procedures**
  - **DOD**
    - Validation performed directly with subcontractors for subcontractor restricted data
      - DFARS 252.227-7037(k) & 252.227-7019(c)
  - **Non-DOD**
    - Validation performed only with respect to prime, but is in practical reality against subcontractor
      - FAR 52.227-14(e) provides a challenge procedure against contractor who will need subcontractor cooperation to contest
      - Failure to protect would likely be a breach of contract between subcontractor and prime
1. Flowdown From Prime (Cont.)

- What happens if forget to include?
  - Arguable can be read into subcontract
      - Relying on minimum rights required under 10 U.S.C. § 2320
    - 10 U.S.C. § 2320 requires regulations to protect minimum rights of both contractor and subcontractor
      - 10 U.S.C. § 2320(a)(2)(B) requires subcontractor to be allowed to assert limited rights
        - In the case of an item or process that is developed by a contractor or subcontractor exclusively at private expense, the contractor or subcontractor may restrict the right of the United States to release or disclose technical data pertaining to the item or process to persons outside the government or permit the use of the technical data by such persons
      - 10 U.S.C. § 2320(a)(2)(A) requires subcontractor to not be allowed to assert limited rights where Government funded
        - In the case of an item or process that is developed by a contractor or subcontractor exclusively with Federal funds (other than an item or process developed under a contract or subcontract to which regulations under section 9(j)(2) of the Small Business Act (15 U.S.C. 638 (j)(2)) apply), the United States shall have the unlimited right ...
  - Arguable that is important procurement regulation
  - Arguable that subcontractor on par with contractor such that rule in FN Manufacturing would apply
  - More unclear for non-DoD agencies and mixed funding situations
1. Flowdown From Prime (Cont.)

- Failure to include or to obtain promised rights represents a breach
  - In general, the prime agrees to provide certain rights … and subcontracting does not relieve this responsibility
  - Possible termination for default
- FAR 52.227-14(h); DFARS 252.227-7013(k)(5); DFARS 252.227-7014(k)(4) all have express language that duty to provide remains with Contractor
2. Who Receives Rights to Use?

- Summary: Government always, prime possibly

- Patents
  - Federal Government only
    - FAR 52.227-11, FAR 52.227-13 & DFARS 252.227-7038 specifically do not give prime rights in subject invention, only Government
      - Also in prior FAR 52.227-12 (now DFARS 252.227-7038)
    - Government purpose allows prime use for Federal Government purposes

- Trade secrets and copyrights
  - Federal Government only for DoD, Federal Government and possibly prime outside of DoD
    - FAR 52.227-14: if rights not granted, no subcontract without authorization to deliver restricted rights/limited rights
      - No statement preventing prime contract from requiring rights
    - DFARS more generous: DFARS 252.227-7013 and 7014 require that
      - Prime gets no rights
      - Prime cannot demand rights by contract
B. Best Practices

- Government will protect IP rights, but contractors need to follow rules
  - Rules are strictly governed
  - Many of the forms are online
    - Legends can be copied from websites
    - Helpful forms available online
B. Best Practices (Cont.)

- What does this matter to average company?
  - Failure to follow rules
    - Lose rights by operation of law
        - Loss of patent ownership due to failure to report subject invention
        - Loss of data rights due to failure to mark
    - Lose rights by not following solicitation requirements
      - Not identifying restrictions to be delivered
      - Not identifying if contract allows delivery of restricted information
      - Not identifying if proposal has trade secrets
B. Best Practices (Cont.)

- Most important:
  - Need effective monitoring techniques to identify IP and how relates to marketing model
  - Need to recognize alternative vehicles
    - Commercial versus Non-Commercial
    - Other agreements
      - Prototype versus Commercial versus Non-Commercial
  - Need to request reasonable accommodations
    - Is delivery needed?
    - Are special license rights appropriate?
        - Loss of trade secret rights in source code since government purpose rights expired giving government unlimited rights
1. Preserve Commercial Rights

- Need to be aware of how delivery affects rights
  - If no restrictions, data releasable under FOIA
- Need to be aware of how development affects rights
  - If developed outside of Government contracts, more commercial rights applicable
- Where development occurs in Government contract, need to model and require rights consistent with commercial requirements
  - Is the resulting item utilizing commercial elements which are easily segregable?
    - Arguable commercial rights apply if change is consistent with commercial practice.
  - Government purpose rights enough?
    - Government purpose (outside of SBIR) allow Government to use for Government purposes (including competitive procurement)
      - Not for commercial purposes
    - Technical data and commercial software
    - Patent rights
  - Is delivery even required?
  - Timing of actual reduction to practice
  - Are State & Local Governments a viable commercial market
    - Government purpose is Federal Government purpose
  - Is contract vehicle even compatible with proposed commercialization model?
2. Preserve Rights Needed in Procurements

- If insufficient restrictions, can release for government purposes (i.e., procurement)
  - Includes competitive procurement
    - Means must be given to competitors if needed to obtain competition (CICA requirement)
- Can you build/develop prior to entering contract?
  - Secure trade secret and patent rights against competitors
- Are there exclusivity mechanisms compatible with contract vehicle?
3. Develop Monitoring Process

- Pre-contract: Patents
  - Need to confirm status of invention in relation to contract
    - In Invention Disclosure Form, determine when conception and first prototype built
    - If conception is prior to contract and easy to construct, build it!
      - Constructive reduction to practice not enough
        - Prototype needs to be workable
      - File application once prototype completed
    - Is “experimental, developmental, or research work” actually being performed?
      - If so, is more flexible arrangement needed (i.e., OT, CRADA)?
      - If not, try and get clause removed as contrary to FAR 27.3
  - Make sure to secure proper rights from sub-contractor
  - Make sure employment agreements avoid Stanford problems
    - Not promises to assignment, but assignment of existing and future inventions
3. Develop Monitoring Process (Cont.)

- Pre-contract: Trade secrets and copyrights
  - Identify sensitive information in bid or proposal
    - Mark, but do not over mark
    - Identify what needs to actually be delivered
  - FAR and DFARS both require pre-notification of delivery of restricted rights software or limited rights technical data
    - Both prohibit delivery without prior notification
    - DFARS has specific form for non-commercial contracts
    - Make sure secure proper rights from sub-contractor
  - Is more flexible IP arrangement needed (i.e., OT, special license rights)
  - Are commercial rights applicable
3. Develop Monitoring Process (Cont.)

- **Post-contract: Patents**
  - Need to confirm status of invention in relation to contract
    - In Invention Disclosure Form, determine when conception and first prototype built
  - Make sure to report according to schedule in Patent Rights Clause
    - DD-882 helpful form
    - Make sure subcontractors reporting
  - Major events
    - Conception
    - Election of title
    - Filing of application
    - Annual report
    - Final report
  - Make sure to include Government Interest statement
    - Required in any patent application or patent having subject invention
  - Make sure to send Confirmatory License to contracting officer
    - Not assignment, but confirms Government rights
3. Develop Monitoring Process (Cont.)

- Post-contract: Trade secrets and copyrights
  - Ensure mark anything restricted with proper marking
    - Include in header, initial screen of software, etc.
    - Can correct later, but messy
    - Make sure subcontractors properly mark delivered data and software
  - Keep records to ensure can validate markings
    - Are specific challenge procedures in DFARS and FAR
4. Comply with the Marking Requirement

- Must be conspicuous
  - Cover page, inside cover, header/footer, storage media or transmittal docs
    - Don’t assume marking cover page is enough (*Xerxe Group, Inc. v. U.S.*, 278 F.3d 1357 (Fed. Cir., 2002))
    - Ensure Markings are MEANINGFUL
  - "Easy" when it's a defined/regulated mark
  - Harder – commercial/industry practices
  - Multiple markings – most restrictive governs
4. Comply with the Marking Requirement (Cont.)

- **Common Problems**
  - "*Company* Proprietary"
    - Often used as generic "trade secret" mark
    - Any restrictions on use within the Govt?
    - What about our Support Contractors?
    - What about subcontractors … working for *Company*?
    - Possible solution: ADD information specifying contract/license
  - "© *Company* 2003" perhaps with "All rights reserved"
  - Unmarked?
    - Unlimited Rights – Noncommercial data/software, and arguably commercial tech data
    - This does NOT necessarily mean "public release"
      - If it's at Technical Document – it SHOULD have a Distribution Statement!!!
    - No markings required for COPYRIGHT protection
    - Markings are a CORE element for Trade Secrets, but not an absolute requirement
5. Comply with the Listing Requirements

- Listings of restricted data/software required by--
  - DFARS 252.227-7017 & DFARS 252.227-7028
    - In offer, must list data being delivered with restrictions
  - DFARS 252.227-7013(e) or DFARS 252.227-7014(e)
    - “The Contractor shall not deliver any [data/software] with restrictive markings unless the data are listed on the Attachment.” (italics added)
    - Want to identify prior to contract since later amendments require an explanation to allow delivery
  - DFARS 252.227-7013(e)(3) or DFARS 252.227-7014(e)(3) allows amendment if new listing is based on new information or inadvertent omissions
    - Unless the inadvertent omissions would have materially affected the source selection decision
    - Must submit in specific format to Contracting Officer “signed by an official authorized to contractually obligate the Contractor”
  - FAR 52.227-14 will not allow delivery of restricted data without pre-authorization and listing
5. Comply with the Listing Requirements (Cont.)

- Listings of subject inventions required by
  - FAR 52.227-13(e)(3) & DFARS 252.227-7038(e)(7)
    - List all subject inventions on annual basis and on completion of contract work
  - No express requirements for FAR 52.227-11
    - DoD requires DFARS 252.227-7039 used if FAR 52.227-11 used
- Mainly causes a problem at contract closeout since Contracting Officer and Government IP Counsel cannot determine compliance without listing
  - Failure to close means money withheld
6. Comply with the Attachment Requirement

- Must attach a copy of non-standard licenses to contract
  - "Standard" Commercial Computer Software License (a.k.a. "shrink-wrap" or "click-wrap" license)
  - Open Source licenses
  - Specially negotiated licenses (under DFARS 252.227-7013(b)(4); DFARS 252.227-7014(b)(4); DFARS 252.227-7015(c), or for commercial software pursuant to 227.7202-3)
- Attachment does not ensure compliance with Federal Procurement rules
  - Review before attempting to use since terms in conflict with law will be overridden