



A PRACTICAL GUIDE TO UNDERSTANDING THE INTERSECTION BETWEEN INTELLECTUAL PROPERTY AND GOVERNMENT CONTRACTS

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A PRACTICAL GUIDE TO UNDERSTANDING THE INTERSECTION BETWEEN INTELLECTUAL PROPERTY AND GOVERNMENT CONTRACTS

Managing intellectual property (IP) when working with the federal government is one of the more challenging areas of government contracts. Questions regarding who owns the IP, who has rights to the IP and how may a contractor and the government use the IP often lead to varying interpretations and conclusions by the involved parties. Answers to these same questions may be different depending on the parties' ability to sort through the myriad of IP regulations when doing business with the government. This Practical Guide, four-part virtual course will guide you through these key IP issues and considerations and allow you to investigate extensively how to protect your company's IP rights. In doing so, we will discuss how to leverage your IP successfully and address the most pressing concerns of your government customer.

KEY SESSION OBJECTIVES INCLUDE:	KEY COURSE TAKEAWAYS INCLUDE:
<p>The different types of IP (Inventions, Technical Data, Computer Software, Copyrights, Special Works, etc.)</p> <p>How to allocate rights in you IP under the current statutory and regulatory framework</p> <p>What rights the government has in your IP</p> <p>How to properly mark you IP</p> <p>Maintaining IP development and funding records</p> <p>Real-life case examples of dealing with IP and the federal government</p> <p>Interactive exercises to test in real-time your understanding of the material</p> <p>How to resolve an IP dispute with the government (or with a prime or sub)</p> <p>Subcontractor rights and obligations when dealing with IP</p> <p>Commercial item rights in the IP context</p>	<p>A simple 30-second solution for managing virtually any IP question or issue</p> <p>Protecting rights in part of your IP without giving up rights to the whole</p> <p>Understanding ownership versus licensing</p> <p>An approach(s) to tracking IP development</p> <p>Techniques to properly mark your IP</p> <p>Avoiding government challenges and claims of rights to your IP</p> <p>Confirming you actually have rights to the IP that you think you have</p> <p>Knowing the applicable requirements when evaluating an IP issue</p> <p>Special-types of IP rights when working with other unique government agreements</p> <p>Leveraging your commercial license, as applicable</p>

Tuesday Series: 9/5, 9/12, 9/19 & 9/26

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Introduction

- ▶ Focus on the Big 3: patents, technical data and computer software
- ▶ Copyrights, too
- ▶ Protect the crown jewels
- ▶ Leverage your IP's value



Patent Protection

- ▶ Since 1980, patent provisions are “standard” based on statute (Bayh-Dole Act), which is implemented under the FAR
- ▶ Designed to promote commercialization
 - New and non-obvious developments
 - Powerful tool for attracting investment
- ▶ Rights in patents – involves **TITLE** to inventions (disclosure)
 - Not technical data and software such as engineering drawings and source code (trade secrets)

Patents: Allocation of Rights

- ▶ Focus is on **Subject Inventions**
- ▶ What is a Subject Invention?
 - Definition: any invention of the contractor *conceived or first actually reduced to practice* in the performance of work under a funding agreement (35 USC 201)
 - Conceived
 - First actually reduced to practice
- ▶ (Election of) Title
 - Contractor 😊
 - Government 😞, but a license back to the contractor

Poll Question: Subject Invention

#1: An invention is conceived and developed at company expense, but USG funding is provided to demonstrate the invention in its first actual reduction to practice

Subject Invention: Yes or No?

#2: An invention is conceived under a government contract, but all development and reduction to practice occurs at the company's expense.

Subject Invention: Yes or No?

Patents: Title (Government Rights)

- ▶ If contractor elects title, the USG gets a nonexclusive, nontransferable, worldwide, irrevocable, paid-up license to practice – or have practiced – for the USG
 - A “Bayh-Dole” license (*my term*)
 - USG also has right to sublicense the invention under international treaties or agreements (*e.g.*, foreign governments)
- ▶ Pls keep in mind that the USG obtains no rights in background inventions, i.e., those not conceived or first actually reduced to practice....
 - USG supposed to obtain licenses, but does not always do so.

Patents: Title (Contractor Rights)

- ▶ If contractor does not elect title, either intentionally or unintentionally, USG obtains title
 - Failure to disclose, elect or pursue the patent (commercialization)
- ▶ Contractor may still have rights
 - Failure to **elect or pursue** patent prosecution
 - Failure to **disclose**
- ▶ *What is the difference: A big one and there is proof!*

Patents: Procedural Requirements

Contractor Requirement	General FAR and DFARS references (FAR 52.227-11) & (DFARS 252.227-7038)
Disclosure to the USG (in writing)	<p>Two months of disclosure to contractor personnel responsible for patent matters (FAR)</p> <p>Two months of disclosure to contractor personnel responsible for patent matters, or Six months of discovery (if contractor becomes aware of the SI), whichever is earlier (DFARS)</p>
Election of title	<p>Two years of disclosure to the agency (FAR)*</p> <p>Eight months of disclosure to the Contracting Officer (DFARS)*</p> <p>*Where publication, on sale, or public use has initiated the 1-year statutory period in which patent protection may be obtained in the US, the period of election may be shortened by the agency that is no more than 60 days prior to end of the statutory period.</p> <hr/> <p>HOWEVER, the Supremes have something to say: <i>Contractor must have title before it can elect title</i> - (<i>Stanford v. Roche</i> (S.Ct., 2011))</p>
Filing of patent application	<p>In 1 year of election and before the statutory deadline (FAR AND DFARS)</p>
Other Reporting Obligations	<p>Come into play if, for example,</p> <ul style="list-style-type: none"> • Filing abroad • Abandoning the patent or application • If no longer interested in paying maintenance fees
Annual Reports:	<p>Filing of Subject Inventions made during the year</p>

Patents: A Supreme Decision

- ▶ *Stanford v. Roche* (S.Ct., 2011)
- ▶ Federally funded contractors may “elect *to retain title* to any [invention *of the contractor* conceived or first actually reduced to practice in the performance of work under a funding agreement]”
- ▶ Stanford argued that the above language encompasses or covers all of the work done under a federal funding agreement
- ▶ Further background

Patents: Agreements at Issue (Stanford Copyright & Patent Agreement)

2. I agree to assign or confirm in writing to Stanford and/or Sponsors that right, title and interest in and to such copyrightable materials, including associated copyright, and such inventions as required by Contracts or Grants, and to execute and to deliver all documents and to do any and all things necessary or proper on my part to enable Stanford to comply with any Contracts or Grants relating to such copyrightable works and such inventions.

Patents: Agreements at Issue (Cetus Visitor's Confidentiality Agreement)

3. If, as a consequence of my access to CETUS' facilities or information, I conceive of or make, alone or with others, ideas, inventions and improvements thereof or know-how related thereto that relate in any manner to the actual or anticipated business of CETUS, I will assign and do hereby assign to CETUS, my right, title, and interest in each of the ideas, inventions and improvements thereof described in this paragraph. I will, at CETUS' expense, execute, acknowledge, and deliver such documents as are necessary or desirable for vesting in CETUS all rights assigned to it under the foregoing sentence.

Patents: Key Takeaways from the Supremes

- ▶ Rights in an invention belong to the inventor
- ▶ Absent an agreement between the parties or a statute or regulation to the contrary, employers do not have ownership rights in an employee's invention
- ▶ Result turned on the preceding agreements
- ▶ Words matter!
- ▶ Regulatory Activity

Patents: Infringement (or Not)

- ▶ If the USG or a contractor uses a patent without permission, what happens?
- ▶ Use of such patent does not constitute infringement because of the **affirmative defense** to infringement via the Authorization and Consent Clause (FAR 52.227-1).
 - No infringement
 - No injunction, treble damages or attorney's fees
 - Jurisdiction to bring a lawsuit is solely in the U.S. Court of Federal Claims
 - Sole remedy is a reasonable warranty

Patents: Authorization and Consent

- ▶ FAR 52.227-1: Generally, USG authorizes patent use by contractors and consents to be sued for patent use
 - Affirmative defense
 - Types of infringement
 - Contractors that exceed the scope of the A&C clause may be enjoined from patent use, etc.
- ▶ FAR 52.227-3, USG requires that contractors indemnify it (see also FAR 27.201-2(c))(2)
 - Can be waived (FAR 52.227-5)
 - USG can indemnify contractors for patent infringement suits dealing with commercial items

Administrative Claims

- ▶ Cheaper, less visible process to allege infringement
- ▶ Placeholder now
- ▶ Administrative Claim
- ▶ DFARS 227.7004
- ▶ Process defined in the DFARS
- ▶ File, investigate, decision
- ▶ More to come.....

Patents: Unique Issues

- ▶ Failure to commercialize / health and safety – What happens:
 - Government
 - Contractor
 - 35 USC 203
- ▶ Domestic preferences – U.S. Manufacturing Requirement
 - Government
 - Contractor (waiver)
 - 35 USC 204

Patents: Unique Issues

35 USC 203

(a) With respect to any subject invention in which a small business firm or nonprofit organization has acquired title under this chapter, the Federal agency under whose funding agreement the subject invention was made shall have the right, in accordance with such procedures as are provided in regulations promulgated hereunder to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—

- (1) action is necessary because the contractor or assignee has not taken, or is not expected to take within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use;
- (2) action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;
- (3) action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or
- (4) action is necessary because the agreement required by section 204 has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its agreement obtained pursuant to section 204.

(b) A determination pursuant to this section or section 202(b)(4) [1] shall not be subject to chapter 71 of title 41. An administrative appeals procedure shall be established by regulations promulgated in accordance with section 206. Additionally, any contractor, inventor, assignee, or exclusive licensee adversely affected by a determination under this section may, at any time within sixty days after the determination is issued, file a petition in the United States Court of Federal Claims, which shall have jurisdiction to determine the appeal on the record and to affirm, reverse, remand or modify, as appropriate, the determination of the Federal agency. In cases described in paragraphs (1) and (3) of subsection (a), the agency's determination shall be held in abeyance pending the exhaustion of appeals or petitions filed under the preceding sentence.

35 USC 204

Notwithstanding any other provision of this chapter, no small business firm or nonprofit organization which receives title to any subject invention and no assignee of any such small business firm or nonprofit organization shall grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by the Federal agency under whose funding agreement the invention was made upon a showing by the small business firm, nonprofit organization, or assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

What's Up with March-In Rights

Developments

Technical Data & Computer Software

- ▶ Understanding the landscape: three questions
- ▶ Answers will help determine how to treat data and software
- ▶ Unlike patents and corresponding “title” concerns, focus is on a “license” to use data or software and any related restrictions
- ▶ Rights are generally determined based on who funded the data or software developed or delivered in the performance of the contract



Technical Data & Computer Software

- ▶ T/D and C/S requirements are set forth in the applicable regulations, *e.g.*
 - FAR
 - DFARS
 - DEAR

- ▶ Akin (sort of) to trade secret protection

The Structure

▶ Statutes

- 41 USC § 418a
- 10 USC §§ 2320 & 2321

▶ Regulations

- FAR Part 227
- DFARS Part 227
- DEAR Part 927
- Etc.

▶ The “27 Effect”

Key Questions

- ▶ Source of funds /development?
- ▶ Evidentiary support?
- ▶ Type of contract?
 - Non-commercial item
 - Commercial item (FAR 2.101 / FAR Part 12)

Key Questions

- ▶ Subcontracting: How do the parties manage IP?
 - Between the parties
 - With the USG
- ▶ Restrictive markings: from beginning to end!

Inherent Tension

USG	Contractor
Perform agency requirements	Avoid unauthorized use and disclosure
Share research findings	
Promote follow-on innovation	Proprietary claims to data and software
Increase knowledge in the community	Incentivize continued innovation
Encourage competition	Market leader
Create 2 nd , 3 rd , 4 th sources for the deliverable	Maintain competitive advantage

Key Terms – FAR

- ▶ Technical data – recorded information (regardless of the form or method of the recording) of a scientific or technical nature (*including computer databases and computer software documentation*)
 - Examples
 - Exclusions: Excludes software, financial data, and management records or other information incidental to contract administration

- ▶ Computer database or database – a collection of recorded information in a form capable of, and for the purpose of, being stored in, processed, and operated on by a computer; does not include computer software
 - Distinctions to Note

Key Terms – FAR

▶ Computer software

(i) Computer programs that comprise a series of instructions, rules, routines, or statements, regardless of the media in which recorded, that allow or cause a computer to perform a specific operation or series of operations; and

(ii) Recorded information comprising source code listings, design details, algorithms, processes, flow charts, formulas, and related material that would enable the computer program to be produced, created, or compiled

Key Terms – FAR

▶ Computer Software

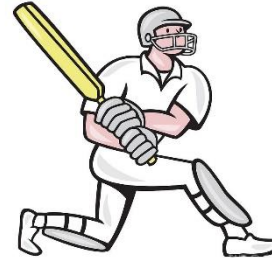
- Exclusions: Excludes databases and software documentation
 - FAR: Both are T/D
 - DFARS: Split decision
 - ◆ Databases: T/D
 - ◆ S/W Documentation: C/S
- *Why is this important?*

Key Terms – FAR

- ▶ Computer software documentation
 - Owner manuals, user 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

Key Terms – FAR

- ▶ Developed: Where o' where?



Development

Data	The item, component, or process exists (has been constructed or practiced) and is workable (<i>i.e.</i> , tested sufficiently to demonstrate to those skilled in the art a high probability of operating as intended)
Software	When tested enough to demonstrate to persons skilled in the art that it can reasonably be expected to perform its intended purpose
Software Documentation	When written in any medium

Delivery

- ▶ The T/D and C/S clauses do not specify deliverables: the *type, quantity, or quality* of T/D and C/S is not covered under these clauses
- ▶ The rights of the USG and contractor relating to the *use, disclosure, or reproduction* of T/D and C/S are the focal points of the regulations
- ▶ How does delivery work?
 - Review the K (Deliverables) (Section B/Pricing) (Section C), SOW, etc.
 - Review the Contract Data Requirement List (“CDRL”).
 - Review the Data Accession List (“DAL”) requirements

Technical Data & Computer Software

► License Rights

Type of License	Funding Source
Unlimited	Government Funded
Limited/restricted	Contractor Funded
Government Purpose	Mixed Funding/DoD Only
Specially Negotiated License Rights	Not < Limited or Restricted Rights

License Rights

- ▶ Contractor remains the owner of the T/D and C/S and can use them freely unless specifically restricted
- ▶ USG obtains a license
- ▶ Giveth and taketh, be careful

FAR Licenses



FAR Licenses

► Unlimited Rights

- Right of the government to use, disclose, reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly, in any manner and for any purpose, and to have or permit others to do so

USG Uses	Yes or No
Can the USG disclose T/D or C/S to the public?	
Can the USG disclose T/D or C/S on the internet?	
Can the USG disclose T/D or C/S to third-party contractors to compete against you?	
Can the USG invoice the USG for use of UR T/D or C/S?	

FAR Licenses

▶ Unlimited Rights

- Government shall have unlimited rights in:
 - Data first produced in the performance of the contract
 - *Form, fit, and function data* delivered under the contract
 - Manuals or instructional and training material for installation, operation, or routine maintenance and repair of items, components, or processes delivered or furnished for use under the contract

FAR Licenses

▶ Limited rights

- Rights of the Government in limited rights data as set forth in the Limited Rights Notice of paragraph (g)(3) if included in this clause
- 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

FAR Licenses

▶ Limited Rights

- Delivery not required: Withhold data
- Delivery required: Use ALT II

FAR Licenses

► Limited Rights (ALT II):

Alternate II (Dec 2007). As prescribed in 27.409(b)(3), insert the following paragraph (g)(3) in the basic clause:

(g)(3) Notwithstanding paragraph (g)(1) of this clause, the contract may identify and specify the delivery of limited rights data, or the Contracting Officer may require by written request the delivery of limited rights data that has been withheld or would otherwise be entitled to be withheld. If delivery of that data is required, the Contractor shall affix the following "Limited Rights Notice" to the data and the Government will treat the data, subject to the provisions of paragraphs (e) and (f) of this clause, in accordance with the notice:

LIMITED RIGHTS NOTICE (DEC 2007)

(a) These data are submitted with limited rights under Government Contract No. _____ (and subcontract _____, if appropriate). These data may be reproduced and used by the Government with the express limitation that they will not, without written permission of the Contractor, be used for purposes of manufacture nor disclosed outside the Government; except that the Government may disclose these data outside the Government for the following purposes, if any; provided that the Government makes such disclosure subject to prohibition against further use and disclosure: [*Agencies may list additional purposes as set forth in 27.404-2(c)(1) or if none, so state.*]

(b) This notice shall be marked on any reproduction of these data, in whole or in part.
(End of notice)

FAR Licenses (Limited Rights)

USG Uses	Yes or No
Can the USG disclose T/D or C/S to the public?	
Can the USG disclose T/D or C/S within the USG?	
Can the USG disclose T/D or C/S to third-party contractors to compete against you?	
Can the USG use T/D or C/S for manufacturing purposes?	
Can the USG use T/D or C/S for other purposes if included in the contract?	
Are FFF data protected with Limited Rights?	

FAR Licenses

▶ Restricted rights

Restricted rights, as used in this clause – the rights of the Government in restricted computer software, as set forth in a Restricted Rights Notice of paragraph (g) if included in this clause, or as otherwise may be provided in a collateral agreement incorporated in and made part of this contract, including minor modifications of such computer software

Restricted computer software – 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 the computer software

FAR Licenses

▶ Restricted Rights

- Delivery not required: Withhold software
- Delivery required: Use ALT III

Restricted Rights (ALT III)

Alternate III (Dec 2007). As prescribed in 27.409(b)(4), insert the following paragraph (g)(4) in the basic clause:

(g)(4)(i) Notwithstanding paragraph (g)(1) of this clause, the contract may identify and specify the delivery of restricted computer software, or the Contracting Officer may require by written request the delivery of restricted computer software that has been withheld or would otherwise be entitled to be withheld. If delivery of that computer software is required, the Contractor shall affix the following "Restricted Rights Notice" to the computer software and the Government will treat the computer software, subject to paragraphs (e) and (f) of this clause, in accordance with the notice:

Restricted Rights Notice (DEC 2007)

- (a) This computer software is submitted with restricted rights under Government Contract No. _____ (and subcontract _____, if appropriate). It may not be used, reproduced, or disclosed by the Government except as provided in paragraph (b) of this notice or as otherwise expressly stated in the contract.
- (b) This computer software may be-
- (1) Used or copied for use with the computer(s) for which it was acquired, including use at any Government installation to which the computer(s) may be transferred;
 - (2) Used or copied for use with a backup computer if any computer for which it was acquired is inoperative;
 - (3) Reproduced for safekeeping (archives) or backup purposes;
 - (4) Modified, adapted, or combined with other computer software, *provided* that the modified, adapted, or combined portions of the derivative software incorporating any of the delivered, restricted computer software shall be subject to the same restricted rights;
 - (5) Disclosed to and reproduced for use by support service Contractors or their subcontractors in accordance with paragraphs (b)(1) through (4) of this notice; and
 - (6) Used or copied for use with a replacement computer.
- (c) Notwithstanding the foregoing, if this computer software is copyrighted computer software, it is licensed to the Government with the minimum rights set forth in paragraph (b) of this notice.
- (d) Any other rights or limitations regarding the use, duplication, or disclosure of this computer software are to be expressly stated in, or incorporated in, the contract.
- (e) This notice shall be marked on any reproduction of this computer software, in whole or in part.
- (End of notice)

(ii) Where it is impractical to include the Restricted Rights Notice on restricted computer software, the following short-form notice may be used instead:

Restricted Rights Notice Short Form (JUN 1987)

Use, reproduction, or disclosure is subject to restrictions set forth in Contract No. _____ (and subcontract, if appropriate) with _____ (name of Contractor and subcontractor).

(End of notice)

(iii) If restricted computer software is delivered with the copyright notice of 17 U.S.C. 401, it will be presumed to be licensed to the Government without disclosure prohibitions, with the minimum rights set forth in paragraph (b) of this clause.

FAR Licenses (Restricted Rights)

Inside the USG (Prior Slide)	Outside the USG	Unlimited Rights
One computer at a time (unless contract states otherwise)	Emergency repair and overhaul	100% USG funds (furtherance of the contract)
Transfer/delete	Evaluation by a foreign government	Deliverable S/W docs
Modified/adapted/combined (but still subject to same RR)	Support services contractors	Corrections/changes to S/W provided to contractor by USG
Archival safekeeping and backup		GPR expiration (Stand by)

Relationship to Patents or Other Rights

- ▶ FAR 52.227-14(i)

Nothing in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government.

- ▶ Result: Two separate licensing regimes

DoD Acquisitions

- ▶ Review UR, LR and RR in the context of DoD procurements
- ▶ Say hello to Government Purpose Rights and Specifically Negotiated License Rights
- ▶ Doctrine of Segregability
- ▶ Markings
- ▶ And, more.....

DFARS License Grants



DFARS License Grants

▶ Unlimited Rights (Data)

Rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so

DFARS License Grants

▶ Unlimited Rights

- Government shall have unlimited rights in:
 - (i) Data pertaining to an item, component, or process which has been or will be developed exclusively with Government funds;
 - (ii) Studies, analyses, test data, or similar data produced for this contract, when the study, analysis, test, or similar work was specified as an element of performance;
 - (iii) Created exclusively with Government funds in the performance of a contract that does not require the development, manufacture, construction, or production of items, components, or processes;
 - (iv) Form, fit, and function data;

DFARS License Grants

- (v) Necessary for installation, operation, maintenance, or training purposes (other than detailed manufacturing or process data);
- (vi) Corrections or changes to technical data furnished to the Contractor by the Government;
- (vii) Otherwise publicly available or have been released or disclosed by the Contractor or subcontractor without restrictions on further use, release or disclosure, ...;

Unlimited Rights – Data

DFARS License Grants

(viii) Data in which the Government has obtained unlimited rights under another Government contract or as a result of negotiations; or

(ix) Data furnished to the Government, under this or any other Government contract or subcontract thereunder, in which the restrictions on the USG have expired (GPR).

Unlimited Rights – Data

DFARS License Grants

▶ Unlimited Rights (Software)

Rights to use, modify, reproduce, release, perform, display, or disclose computer software or computer software documentation in whole or in part, in any manner and for any purpose whatsoever, and to have or authorize others to do so

DFARS License Grants

▶ Unlimited Rights

- Government shall have unlimited rights in:
 - (i) Computer software developed exclusively with Government funds;
 - (ii) Computer software documentation required to be delivered under this contract;
 - (iii) Corrections or changes to computer software or computer software documentation furnished to the Contractor by the Government;

DFARS License Grants

- (iv) Computer software or computer software documentation that is otherwise publicly available or has been released or disclosed by the Contractor or subcontractor without restriction on further use, release or disclosure, ...;
- (v) Computer software or computer software documentation obtained with unlimited rights under another Government contract or as a result of negotiations; or
- (vi) Computer software or computer software documentation furnished to the Government, under this or any other Government contract or subcontract thereunder without restriction (GPR).

Unlimited Rights – Software

DFARS License Grants

▶ Limited Rights

Rights to use, modify, reproduce, release, perform, display, or disclose technical data, in whole or in part, within the Government

USG may not (w/o written permission of the party asserting the rights):

- Release or disclose the technical data outside the Government;
- Use the technical data for manufacture; or
- Authorize the use of such data by persons outside the Government

UNLESS...

DFARS License Grants

- ▶ Release or disclosure is for:
 - Necessary for emergency repair or overhaul;
 - Evaluation by/informational purposes for a foreign government (no detailed mfg or process data);
 - The recipient of the technical data is subject to a prohibition on the further reproduction, release, disclosure, or use of the technical data; and
 - The contractor or subcontractor asserting the restriction is notified of such reproduction, release, disclosure, or use.
- ▶ Further negotiations for additional rights can occur

DFARS License Grants

▶ Limited Rights

- USG receives limited rights:
 - Pertaining to items, components, or processes developed exclusively at private expense and marked with the limited rights legend; or
 - Created exclusively at private expense (non-development contract).

DFARS License Grants

▶ Restricted Rights

The Government shall have restricted rights in noncommercial computer software required to be delivered or otherwise provided to the Government under this contract that were developed exclusively at private expense.

▶ Further negotiations for additional rights can occur

DFARS License Grants

▶ Restricted Rights

- Use a computer program with one computer at a time
- Transfer a computer program to another Government agency without the further permission of the Contractor if the transferor destroys all copies of the program and related computer software documentation in its possession and notifies the licensor of the transfer

DFARS License Grants

- Backup and archival purposes
- Modify the software, but the modified software is subject to the same restricted rights restrictions as above
- Support contractors – Beware!

DFARS License Grants

▶ Government Purpose Rights

- Not a FAR License (curveball)
- **DoD Only – Look to the DFARS**
- **Mixed-funding** situations
 - Mixed funding means: Developed with USG funds and private expense
- USG can use GPR TD and C/S **within the USG** for **government purposes** without restriction
 - No charge for T/D and C/S
 - Protect T/D and C/S in the commercial market
- USG can authorize **third parties** to use GPR TD for any **government purpose**
 - Government purpose includes re-procurement
- Defaults to UR after GPR period expires (usually 5 years) (may be extended)

Government Purpose Rights

USG Uses	Yes or No
Can the USG give your drawings delivered with GPR to another company to use on another government program?	
If the USG funds 99% of the development of an item, does the USG get UR or GPR in the corresponding T/D or C/S?	
Can a company's restricted drawings marked with GPR ever be used commercially by a third-party (another) contractor?	
If there is no commercial application for your T/D or C/S, GPR provides you with complete protection from potential misuse?	
If you are working with the Department of the Interior on a developmental project, and DOI provides 55% of the funds to develop the project's computer software, what rights does DOI have in the software?	

DFARS License Grants

▶ Specifically Negotiated License Rights

- Again, DFARS license
 - Rights negotiated by the parties
 - Can tailor narrower than GPR
 - Flexibility
 - However, rights negotiated cannot be less than Limited or Restricted Rights
 - Memorialize with a license agreement – make part of the contract

DFARS License Grants

- ▶ All rights not granted to the Government are retained by the contractor

DFARS 252.227-7013(c); 252.227-7014(c); 252.227-7018(b)

Subcontracting Obligations

- ▶ Flowdowns
- ▶ Role of the parties: Leverage
- ▶ Obligations to perform

Key Terms – DFARS

► Review:

- Technical data
- Form, fit, and function data
- Computer software
- Computer software documentation
- Computer program
- Computer database

Key Terms – DFARS

▶ Concept of “Development”

- Developed
- Developed exclusively at private expense
- Developed with mixed funding
- Developed exclusively with Government funds
- Application to certain contracts

DFARS 252.227-7013(a)(7)

DFARS 252.227-7014(a)(7)

Developed Exclusively at Private Expense

written in any medium
Software documentation
Data Exists & workable
Tested enough to demonstrate
intended purpose Software

DEVELOPMENT ANALYZED AT LOWEST
SEGREGABLE LEVEL

But, still, what is private expense?

Private Expense

- ▶ Developed exclusively at private expense:

“Development was accomplished entirely with costs charged to indirect cost pools, costs not allocated to a government contract, or any combination thereof.”

- ▶ Doctrine of segregability

DFARS 252.227-7013(a)(8)

DFARS 252.227-7014(a)(8)

Doctrine of Segregability

- ▶ It is possible to segregate rights to the “part” without giving up the “whole” piece of data or software
- ▶ Doctrine of segregability exists under the DFARS
- ▶ Generally, Government’s rights will be determined by when the IP was developed and who paid for it at the lowest component level
- ▶ Possible, then, to have different components of a single system (or computer program modules) to be subject to varying rights
- ▶ For example, . . .

Protecting Your Developments

Module 1

Developed at private expense

Completion date:
June 1, 2019

Module 2

Developed at private expense

Completion date:
July 1, 2019

Module 3

Developed with
mixed funding

Completion date:
August 1, 2019

Module 4

Developed entirely at
Government expense

Completion date:
September 1, 2019

Critical lesson: Establish a system to track and document development to ensure support for proper rights allocation

Doctrine of Segregability

▶ Summary

- Private expense determinations should be made at the lowest practicable level
 - If item was developed with mixed funding, but a particular component at private expense, LR can apply for that component
-
- ## ▶ Fixed price contracts – No windfall or excuse

Importance of Markings

- ▶ Due diligence prior to contract execution and throughout contract performance
- ▶ If you fail to mark, you can lose your rights
- ▶ Use the appropriate restrictive legend
- ▶ Not a time for creative writing
- ▶ Onerous outcomes

- Several Examples:

- Xerxe Group

- General Atronics Corp.

- Spotless Janitorial Services

- Night Vision Corp.

- Bell Helicopter Textron

- Series of FOIA cases

Marking Requirements



Where To Get Started

- ▶ FAR requirement: FAR 52.227-15
- ▶ DFARS requirements: “Disclosure Tables”
DFARS 252.227-7013, -7014, -7017 & -7020

Disclosure Table – Technical Data

Identification and Assertion of Restrictions on the Government's Use, Release, or Disclosure of Technical Data or Computer Software			
The Offeror asserts for itself, or the persons identified below, that the Government's rights to use, release, or disclose the following technical data or computer software should be restricted:			
Technical Data or Computer Software to be Furnished With Restrictions*	Basis for Assertion**	Asserted Rights Category***	Name of Person Asserting Restrictions****
(LIST)*****	(LIST)	(LIST)	(LIST)
<p>*For technical data (other than computer software documentation) pertaining to items, components, or processes developed at private expense, identify both the deliverable technical data and each such item, component, or process. For computer software or computer software documentation identify the software or documentation.</p> <p>**Generally, development at private expense, either exclusively or partially, is the only basis for asserting restrictions. For technical data, other than computer software documentation, development refers to development of the item, component, or process to which the data pertain. The Government's rights in computer software documentation generally may not be restricted. For computer software, development refers to the software. Indicate whether development was accomplished exclusively or partially at private expense. If development was not accomplished at private expense, or for computer software documentation, enter the specific basis for asserting restrictions.</p> <p>***Enter asserted rights category (e.g., government purpose license rights from a prior contract, rights in SBIR data generated under another contract, limited, restricted, or government purpose rights under this or a prior contract, or specially negotiated licenses).</p> <p>****Corporation, individual, or other person, as appropriate.</p> <p>*****Enter "none" when all data or software will be submitted without restrictions.</p>			
Date			

Is It This Easy?

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Steps to Mark

- ▶ Proper assertions included in disclosure table or attachment
- ▶ Need evidence to support, if questioned
- ▶ Can amend with CO's approval if inadvertant submission or new information

Restrictive Markings

- Limited Rights legend: FAR 52.227-14(g)(3)
- Restrictive Rights legend: FAR 52.227-14(g)(4)(i) &(ii)

DFARS: Data and Software, respectively: DFARS 252.227-7013(f); -7014(f).

Marking Requirements

- ▶ Conspicuous and legible
- ▶ “Hard surface” “rule”
- ▶ No shortcuts – go page-by-page
- ▶ Portion control
- ▶ Electronic markings are important, too!

Marking Requirements

- ▶ What about firmware?
- ▶ Doctrine of segregability
- ▶ “Hard Surface” rule (well, my rule)

Unauthorized Markings

▶ FAR

- What happens?
- Recourse?
- Outcome

FAR 27.404-5
FAR 52.227-14(e)

Unauthorized Markings

▶ DFARS

- More formalized & complex process (Validation Process)
 - Justification by contractor
 - USG can deal directly with subs
 - Challenge procedures

DFARS 252.227-7019 (S/W)

DFARS 252.227-7037 (T/D)

Fixing the Problem?

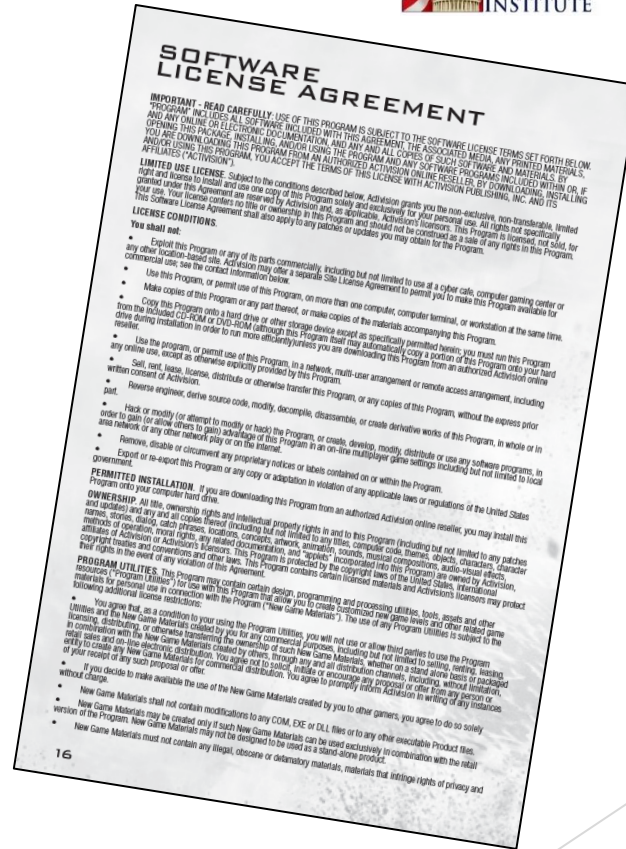
- ▶ Assumption
- ▶ FAR
- ▶ DFARS
- ▶ Consequences

Subcontracting Obligations

- ▶ Flowdowns
- ▶ Hub & spoke
- ▶ Prior USG payment for subcontractor data or software
- ▶ Leverage – both ways

Commercial Items

- ▶ FAR Part 12
- ▶ Advantages
- ▶ Practical limitations



Practical Limitations

- ▶ Revise
 - State law (or mandatory arbitration)
 - State jurisdiction
 - Injunctions
 - Indemnification
 - Automatic renewals
 - Automatic terminations
 - Control of litigation
 - Audit Rights
 - Other Anti-Deficiency Act issues
- ▶ Difficult to argue about...
- ▶ GSA

Commercial Item Clauses

- ▶ The Foundation = FAR Part 12 and FAR Part 2 (Definitions)
- ▶ FAR
- ▶ DFARS

Commercial Item Approaches

- ▶ DFARS – Technical data
- ▶ COTS/commercial items
- ▶ Treatment of major systems (more stringent)

What Can You Do?



Developmental Memo

- ▶ Prior to development
- ▶ Commencement of development
- ▶ Development of documents/deliverables
- ▶ For all development work

***But, notwithstanding your hard work,
you will lose your rights if you do not
mark your data and software correctly***

Record Keeping

- ▶ Track development costs = base work + modifications
- ▶ Need a system to track what is:
 - Developed in the performance of the contract
 - Developed exclusively at private expense
 - DFARS 252.227-7019(b): “The Contractor shall maintain records....”
 - Be able to reconcile development with the corresponding costs
- ▶ DND = Do Not Destroy (exclude from document destruction policy)

Can you pass the critical lesson from earlier today?

Bonus Markings

- ▶ Please do not forget those key markings *before* you receive a contract:
 - Unsolicited proposals
 - Solicited proposals
 - Key legends

Copyright

- ▶ Copyright in data delivered under the contract
 - Data first produced in the performance of the contract
 - Data not first produced in the performance of the contract

Copyright

- ❑ Data first produced in the performance of the contract
 - ❑ Authorization from the CO
 - ❑ Generally, approved
 - ❑ Exceptions
 - ❑ Academic, etc. “Right to Publish” Exemption
 - ❑ Note the use of Alternate IV (FAR 52.227-14)

Copyright

- ▶ Data first produced in the performance of the contract
 - **License:** For data first produced in the performance of the contract (except computer software), the contractor grants to the government a paid up nonexclusive, irrevocable, worldwide license to reproduce, prepared derivative works, distribute to the public, perform publicly and display publicly by or on behalf of the government
 - For computer software: the government's license is the same as with data, except it does *not include the right to distribute to the public*
 - Agencies can modify such licenses

Copyright

- ▶ Data not first produced in the performance of the contract
 - No delivery
 - Unless:
 - Obtaining/granting a license (USG)
 - CO authorization
- ▶ **License:** Same as for data first produced in the performance of the contract, *i.e.*:
 - a paid up nonexclusive, irrevocable, worldwide license to reproduce, prepared derivative works, distribute to the public, perform publicly and display publicly by or on behalf of the government
 - Computer software (potential restricted rights license)

Review

- ▶ The rules are complex – DFARS and FAR are different
- ▶ Normally, contractor gets title; USG gets a license (UR, GPR, LR, RR, SNLR, prior contract rights)
- ▶ Placing the exact legend as required by FAR/DFARS is extremely important
- ▶ You need to understand “development” and “delivery”
- ▶ Keeping records of funding and technical developments forever is critical
- ▶ Commercial technical data and software are exempt from most of the data rights requirements for noncommercial items and software

Review

- ▶ **An ounce of prevention . . .** strategic planning with counsel
 - Scope/timing of contracts
 - Scope of development of internal projects
 - Record of technical/accounting development
 - Proper legends

- ▶ **. . . is worth a pound of cure**

Thank you



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