

Intellectual Property in the Government Marketplace

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Overview

- How the United States Government (USG) Bargains for Intellectual Property (IP)
 - Key concepts and fundamental principles
 - Framework for analyzing USG IP issues
- USG Data Acquisitions
 - Acquisition of Data Deliverables
 - Acquisition of Data Rights
- Contractor Requirements to Protect IP

How the USG Bargains for IP

Fundamental Principles

- Think about rights in data and rights in inventions and patents separately
- The rights in data rules we are going to discuss apply to technical data and computer software to the extent they are delivered under procurement contracts
 - Other information is protected/protectable – just not subject to this set of rules
 - Other instruments may use FAR/DFARS-like rules (or even incorporate these rules wholesale); this is not required, but it may be convenient or advisable as a risk-mitigation measure
- The clauses allocate rights, they do not prescribe deliverables
- The clauses dictate the relationship between the Government and a contractor; they inform the relationship between contractors

Fundamental Principles (cont'd)

- Ownership v. License
 - The government rarely takes ownership of IP
 - In almost all cases, the contractor retains ownership of the IP and the Government gets a non-exclusive license
- Take the Minimum Necessary (No “Grabs”)
 - The Government should take only the minimum necessary IP deliverables and rights therein
 - But it is challenging to define the “minimum,” leading to potentially broader requests than “necessary”
 - And the Government continues to be aggressive about both deliverables and rights
- Need Both Deliverables and Rights (the “Inchoate Rights” Situation)

Fundamental Principles (cont'd)

- Doctrine of Segregability
 - Allocate rights at the lowest practical segregable level
 - Counterbalance with modular approaches?
- No conditions of responsiveness or award
- No prohibiting or discouraging IP-restricted solutions
- IP-related evaluation criteria are permissible

Framework for Analysis

- What kind of instrument are we talking about (*e.g.*, procurement contract, grant, OTA)?
- Are we talking about deliverables or rights?
- If we are talking about rights, are we talking about data rights or patent rights?
 - Data rights are not their own form of IP right, but rather are a hybrid of copyright, trade secret, and other exclusive rights of a property owner
 - The FAR/DFARS distinguish between the Government's rights in a contractor's **data** (*e.g.*, to use and disclose technical data and computer software) and the Government's rights in a contractor's **patents** (*e.g.*, to practice an invention)
- If we are talking about data rights . . .

Framework for Analysis (cont'd)

- Who is the customer – DoD or a civilian agency?
 - Only DFARS 227/252.227 applies to DoD (except for the overarching policy statements in the FAR)
 - Only FAR 27/52.227 applies to (most) civilian agencies
- What type of acquisition – non-commercial or commercial?
- What type of data – technical data or computer software?
- Who provided the development funding – private expense, Government expense, or both?

USG DATA ACQUISITIONS

IP Deliverables: Technical Data

- **Recorded information**, regardless of form or method of recording, of a **scientific or technical nature**
- Not:
 - Data incidental to contract administration (*e.g.*, financial and management information)
 - Cost and pricing information
 - End items
- *Raytheon Co. v. United States*: Focus on the **nature of the data**, not its potential users and/or uses
 - Technical data relates to the design of an item or process, how an item is manufactured or assembled, or its physical and functional requirements
 - Non-technical data is information that cannot be used to design, manufacture, operate, or reproduce a part

IP Deliverables: Computer Software

- 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**
- Not:
 - *Computer Software Documentation*: Owner's manuals, user's manuals, installation instructions, operating instructions, and the like that **explain the capabilities of** or **provide instructions for using** the software
 - *Computer Database*: A **collection of recorded data** in a form capable of being processed by a computer

IP Deliverables: Patents

- Not really a deliverable in its own right
- A patented invention may be embodied in a deliverable item, component, process, piece of software, etc.
- Patents should not be listed in an assertions table (unless the USG gives specific instructions otherwise)
 - A patent (as a document) is technical data
 - But the patent (as a document) is not going to be delivered to the USG
 - Even if it was going to be delivered to the USG, the ***technical data*** in the patent is public, and thus cannot be subject to a more limited license

Types of Licenses

- “Standard” Licenses
 - Unlimited Rights
 - Government Purpose Rights (GPR) (DoD Only)
 - Limited Rights (Technical Data Only)
 - Restricted Rights (Computer Software Only)
 - Commercial Technical Data License (DoD Only)
- Specially (or Specifically) Negotiated Licenses (SNLR) (DoD Only, sort of)

Unlimited Rights

- Use, modify, reproduce, perform, release, or disclose, in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so
- USG is free to give unlimited rights data to anyone, for any reason – even to competitors to use commercially
 - The contractor retains ownership of the unlimited rights data
 - The license is non-exclusive and belongs to the USG

Government Purpose Rights (GPR)

- Unlimited use and disclosure within the USG
- Release or disclose outside the USG and authorize others to use, modify, etc., for “United States Government purposes”
 - Any activity in which the USG is a party
 - Includes competitive procurement
 - Excludes commercial purposes – the right to commercialize belongs exclusively to the contractor during the GPR period...
- After five-year GPR period, GPR become unlimited rights
 - The five-year duration is negotiable
 - The clock starts on execution of the contract or exercise of the option that requires the corresponding development

Limited Rights (Technical Data)

- “Unlimited” use and disclosure within the USG
 - Except no use for manufacture
- No release or disclosure outside the USG, except:
 - Emergency repair/overhaul
 - To Covered Government Support Contractors (CGSC)
 - (Soon?) For segregation and reintegration purposes

Restricted Rights (Computer Software)

- Use on one computer at one time, unless otherwise permitted, and make a minimal number of archive copies
- Organically modify the software (modified software also subject to restricted rights)
- Permit contractors performing service contracts to use the software to diagnose and correct deficiencies, to modify the software to enable a program to be combined with other programs, to respond to urgent tactical situations
- Other exceptions similar to Limited Rights technical data (*e.g.*, emergency repair/overhaul; CGSCs)

Specially Negotiated License Rights

- Rather than accepting one of the standard licenses, the parties may negotiate a license that “provide[s] such rights as the parties consider appropriate”
- The negotiated rights are identified in a license agreement made part of the contract
- Limited/Restricted Rights are supposed to be the “floor” for the Government

Standard Allocations of Rights

- For DoD, the USG's standard license rights are typically determined by the source of development funding:
 - Technical Data: Look at the development funding for the *item, component, or process* to which the data pertain; only look at funding for the *data itself* if there is no corresponding item, component, or process
 - Computer Software: Look at the development funding for the *software itself*
- Outside of DoD, the Government generally gets unlimited rights in any data delivered under contract (unless the contract includes Alternate II or III, which permit delivery subject to restrictive licenses)

What is Development?

- An item, component, or process is developed when it exists and is workable.
- A computer program is developed when it has been successfully operated in a computer and tested to the extent sufficient to demonstrate to reasonable persons skilled in the art that it can reasonably be expected to perform its intended purpose.
- Other computer software is developed when it has been tested or analyzed to the extent sufficient to demonstrate to reasonable persons skilled in the art that it can reasonably be expected to perform its intended purpose.
- Computer software documentation is developed when it is written in sufficient detail to comply with contract requirements.

Characterizing Development Funding

- Every development dollar falls into one of two “buckets.”
 - Private expense
 - Costs charged to indirect cost pools (e.g., IR&D)
 - Costs not directly allocated to a USG contract
 - Government expense = everything else
- Funding determinations can be made at the lowest practicable segregable level (e.g., a component, a software procedure, or subroutine).

Funding-Based Licensing

- Development Exclusively at Government Expense
 - Unlimited Rights
- Development Exclusively at Private Expense
 - Limited Rights in Technical Data
 - Restricted Rights in Computer Software
- Development with Mixed Funding
 - Government Purpose Rights (for now – SNLRs in most cases in the future)

“Automatic” Unlimited Rights

- The USG automatically receives unlimited rights in certain data regardless of the source of development funding:
 - Corrections/changes to GFI
 - Form, fit, and function data
 - Data necessary for operation, maintenance, installation, and training (“OMIT”)
 - Excludes detailed manufacturing and process data (“DMPD”)
 - Data originally furnished with restrictions that have since expired (*e.g.*, sunsetted GPR data)
 - Computer software documentation required for delivery

Commercial Acquisitions (Non-Software)

- When the USG contracts for a commercial item, it is supposed to be treated like any other commercial purchaser
- The DFARS provides that the USG generally receives “only the technical data customarily provided to the public” in a commercial item (see DFARS 227.7102-1), and rights that are generally analogous to limited rights
- For civilian agencies, must treat as limited rights technical data under FAR 52.227-14, Alternate II

Acquisition of Commercial Computer Software

- The USG generally uses the standard commercial license, unless:
 - It doesn't meet the USG's needs; or
 - It is inconsistent with federal law
 - Click- and Browse-wrap licensing
 - Anything concerning spending money
 - Disputes and remedies
- Incorporate the license into the contract.
- FAR 52.227-19 is a “fallback” commercial license, not a mandatory clause

CONTRACTOR REQUIREMENTS TO PROTECT IP

The “Data Rights Trinity”

- Contractor restrictions are not self-executing
- **Document**
 - Have, maintain, and follow written procedures to ensure that restrictive markings are used only when authorized.
 - Keep sufficient accounting and engineering records to justify restrictive markings.
- **Assert**
- **Mark**

“Assert”

- Identify any technical data/computer software deliverables to be delivered to the USG with less than unlimited rights
 - FAR 52.227-15 uses a representation approach
 - DFARS 252.227-7017 uses a table approach
- **Follow the prescribed format**

“Mark”

- Markings must be conforming – the *appropriate* legend is required.
- May not deliver with restrictive markings unless that data is identified on the attachment.
- Must be “conspicuous and legible.”
 - Placed on the transmittal document or storage container.
 - Legend should be applied to *each page* of printed material.
 - Specifically identify portions of pages (circling, underscoring or annotating).
 - Data on a single page may be subject to different restrictions – mark appropriately.
 - Reproduce legends verbatim; no short forms (unless otherwise agreed).
 - Embed in software (e.g., splash screens, source code headers).
 - But not in a way that will interfere with or delay operation in a combat situation or simulation.

Sample Marking (FAR 52.227-14 Alt. II)

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.]*

“Mark” (cont’d)

- No prescribed legend for commercial technical data under DFARS 252.227-7015 or commercial computer software.
 - Recommend use of legend with language similar to that of either Limited Rights or SNLR legend or EULA reference.
- **If non-commercial data are delivered without any legend, they are presumed to be delivered with unlimited rights.**
 - *What about commercial data?*

Knowledge Check #1

Technical data is recorded information, regardless of form or method of recording, of a scientific or technical nature?

- A) True
- B) False

Knowledge Check #2

You should always list patents in your assertions table.

True

False

Knowledge Check #3

The Government always receives Government Purpose Rights.

True

False

Questions?



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