DENTONS

Intellectual Property in Government Contracts

Overview, Patents, Copyrights, Trademarks

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Agenda

- Overview of the Intellectual Property in Government Contracts Series
- Inventions & Patents
- Copyrights
- Trademarks

Intellectual Property in Government Contracts

Overview of the Series

Overview of the Series

- Presentations
  - Background IP Rules (today)
  - Rights in Non-Commercial Technical Data and Computer Software (05/12/16)
  - Commercial Data and Computer Software (06/09/16)
  - Protection of IP, Challenges, and Disputes (07/14/16)
- Goals
  - Provide Basic Working Knowledge of a Complex Legal Field
  - Practical Guidance in Each Presentation
- Situations in Which Information will be Useful
  - Contract Negotiations & Disputes
  - Responding to RFPs
  - Trade Secrets Cases
  - Setting IP Policy
  - Exchanging IP with Government Customers

Intellectual Property in Government Contracts

Inventions/Patents

Patents

General (High-Level) Overview

- "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor" 35 U.S.C. § 101
- For inventions, patent gives inventor "the right to exclude others from making, using, offering for sale, or selling the invention" 35 U.S.C. § 154(a)(1).
- For processes, patent gives inventor "the right to exclude others from using, offering for sale or selling…products made by that process" *Id.*
- Inventors must apply for and be granted a patent by the United States Patent Office. 35 U.S.C. § 111
- Granted patents are public documents. *See Enzo Biochem, Inc. v. Gen-Probe, Inc.*, 323 F.3d 956, 970 (Fed. Cir. 2002) ("[T]he public must receive meaningful disclosure in exchange for being excluded from practicing the invention for a limited period of time.")

Patents

Government Rights in Patents

- United States Government may use and may allow others to use patented inventions. 28 U.S.C. § 1498(a)
  - Compensation is the exclusive remedy; inventor generally cannot prevent use or disclosure. *Id.*
- Patent-holder may exclude other private parties from using or profiting from its invention but may not do so with the government or its contractors
  - FAR § 52.227-1 ("The Government authorizes and consents to all use and manufacture, in performing this contract or any subcontract at any tier, of any invention described in and covered by a United States patent.")
  - *Advanced Software Design Corp. v. Fed. Reserve Bank of St. Louis*, 583 F.3d 1371, 1375 (Fed. Cir. 2009) ("The statute has the effect of removing the threat of injunction.")
  - *TDM Am., LLC v. United States*, 85 Fed. Cl. 774, 781 (2009) (government contractor immune from patent infringement suit)
- Significant limitation on patent-holder's entitlement to exclude third parties

Patents

Government Title to Patents

- The government may take title to most "subject inventions" 35 U.S.C. §202
- Subject Inventions are those "conceived or first actually reduced to practice in the performance of work under a" government contract. 35 U.S.C. § 201.
  - Conceived
    - "Conception is the formation in the mind of the inventor, or a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice." *Collins v. W. Digital Techs., Inc.*, No. 2:09-CV-219-TJW, 2011 WL 3848631, at *3 (E.D. Tex. Aug. 29, 2011) (internal quotation omitted)
  - First Actually Reduced to Practice
    - "Reduction to practice requires that the invention be sufficiently tested to show that it will work for its intended purpose." *Id.*
    - *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1445 (Fed. Cir. 1984) ("When the invention has not quite passed beyond experiment and has not quite attained certainty and has fallen short of demonstrating the capacity of the invention to produce the desired result, the invention itself is still inchoate.") (internal quotation omitted)
  - Performance of Work Under a Government Contract
    - *Mine Safety Appliances Co. v. United States*, 364 F.2d 385, 391 (1966) ("At least in those instances in which the invention was conceived or practiced during the existence of the contract, it is enough that an important factor in the invention was itself within the contractual scope, or resulted directly from the course of contract performance.")
      - Referred to as the "close and umbilical connection." *Technitrol, Inc. v. United States*, 440 F.2d 1362, 1374, 194 Ct. Cl. 596, 616 (1971)
    - *Ciba-Geigy Corp. v. Alza Corp.*, 804 F. Supp. 614, 628 (D.N.J. 1992) ("[U]sing knowledge gained from governmental research to create a related product does not transform that product into a subject invention.")

Patents

Government Title to Patents (cont'd)

- Contractors must elect to retain title to subject inventions, so default rule is that government receives title. FAR § 52.227-11(c)(2)
- Most agencies do not take title and, instead, take a broad license in exchange for allowing contractor to retain title. *See, e.g.*, FAR § 52.227-11; DFARS § 252.227-7038
  - Small businesses may also have a greater ability to protect their patents. *See, e.g.*, 37 C.F.R. § 401.14
  - *But see* 48 C.F.R. § 1852.227-70(b) (NASA presumptively takes title to subject inventions)
- Content of government license will vary by agency and by contract, but government generally receives nonexclusive, nontransferable, irrevocable, paid-up licensed to practice, or have practiced for, or on behalf of the government throughout the world

Patents
Forfeiture

- Notice
  - FAR § 52.227-11(c) (“The contractor shall disclose in writing each subject invention to the Contracting Officer within 2 months after the inventor discloses in it writing to the Contractor personnel responsible for patent matters.”)
    - Contractor also must:
      - Elect whether it will retain ownership
      - File proper application within 1 year of election
- March-In Rights
  - FAR § 52.227-11(h) (“The Contractor acknowledges that, with respect to any subject invention in which it has retained ownership, the agency has the right to require licensing.”)
    - 35 U.S.C. § 203 notes that march-in actions are appropriate when:
      - Contractor has not or will not achieve practical application
      - Health and safety
      - Public use
      - Agreement requires
- Foreign Filings
  - Failure to file or prosecute foreign patents gives government title to such patents in those countries. FAR § 52.227-11(d)

Patents
Cost Allowability

- FAR § 31.205-30
  - Patent costs “incurred as requirements of a Government contract” are allowable if:
    - Searching for prior art and preparing disclosures
    - Filing and prosecution of patent “where title or royalty-free license is to be conveyed to the government”
  - “General counseling services relating to patent matters, such as advice on patent laws, regulations, clauses, and employee agreements, are allowable”
  - Subject to limitations of FAR § 31.205-33
  - Other patent costs unallowable
  - Allowability of direct patent costs implies such costs relate to a “subject invention”
- FAR § 31.205-47(f)(6)
  - Patent infringement litigation costs are unallowable

Patents

Remedies in the Government Contracts Context

- Patents are already publicly disclosed, so no cause of action for "improper" disclosure
- Damages for use likely are **exclusive** remedy
  - Even if private contractor uses invention.
    - 28 U.S.C. § 1498(a) ("Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.")
    - FAR § 52.227-1 ("The entire liability to the Government for infringement of a United States patent shall be determined solely by the provisions of the indemnity clause, if any, included in this contract…and the Government assumes liability for all other infringement to the extent of the authorization and consent hereinabove granted.")
    - *Advanced Software Design Corp. v. Fed. Reserve Bank of St. Louis*, 583 F.3d 1371, 1375, 92 U.S.P.Q.2d 1489, 2009 WL 3110804 (Fed. Cir. 2009) ("[28 U.S.C. § 1498(a)] is more than a waiver of immunity and effects an assumption of liability by the government.") (internal citation omitted)

Patents
Practical Pointers

- Work with experienced counsel to ensure patents are valid and defensible
- Read your patent clauses carefully. Be especially aware of:
  - Title
  - Notice requirements
  - Patented deliverables
- Document research and development efforts and results before, during, and after contract performance

Intellectual Property in Government Contracts

Copyrights

Copyrights
General Rules

- Copyright laws designed to protect “expressions” of ideas and concepts
  - Protects “original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. §102.
  - “[U]nlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself.” *Mazer v. Stein*, 347 U.S. 201, 217 (1954)
- General rule: Author of the work owns it
  - Exclusive right to reproduce works, create derivative works, to distribute copies, and to perform or display works publicly

Copyrights
General Rules—FAR

- **First produced in performance of contract**: Prior, express written permission of CO required to assert copyright
  - No permission needed for copyright in scientific and technical articles based on or containing data first produced in performance of contract and published in academic, technical, or professional journals
- **Not first produced under contract**: May not include copyrighted work in deliverables to the government without written permission of CO, and:
  - Grants to Government sufficient license
  - For software: Grants to Government license coextensive with “Restricted Rights” license (if Alternate III of FAR 52.227-14 “Rights in Data—General” is included in contract) or as provided for in collateral agreement (typically a supplier’s commercial software license)

Copyrights

Government License in Copyrights—FAR

- Scope of Government copyright license in data first produced under contract depends on whether CO permission required
- **If CO permission not required**: Government receives unlimited copyright license:
  - Right "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" FAR 52-227-14(a)
- **If CO permission required**: Government receives essentially a Government purpose rights copyright license (FAR 52.227-14(c)(1)):
  - **Data other than computer software**: right to "reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly by or on behalf of the Government"
  - **Computer software**: same as other data, but *cannot distribute* copies to public

Copyrights

Government License in Copyrights—DFARS

- DoD obtains copyright license with same scope as whatever other data rights it obtains. (DFARS § 227.7203-9 “Copyright”)
  - Unlimited rights, Government purpose rights, limited rights (data), restricted rights (software), specifically negotiated license rights
  - Example: Limited rights license in data = copyright license to reproduce, distribute, perform, display, and prepare derivative works of software as necessary to implement limited rights
  - For negotiated rights, CO may not negotiate copyright licenses that provide less than restricted rights (software) or limited rights (data)
- DoD policy guidance states that COs should not automatically pursue unlimited copyright licenses, even if material developed entirely at Government expense
  - *See* Office of the Under Secretary of Defense for Acquisition, Technology & Logistics, *Intellectual Property: Navigating Through Commercial Waters* 4-21 (Version 1.1, Oct. 15, 2001).

Copyrights
Remedies in Government Contracts Context

- Jurisdiction infringement action: Court of Federal Claims
- Damages are **exclusive** remedy for copyright infringement:
  - By Government (direct infringement) or
  - "with the authorization and consent of the Government" (indirect infringement) *See* 28 U.S.C. §1498(b); *Boyle v. United States*, 200 F.3d 1369, 1373 (Fed. Cir. 2000) (explaining sovereign immunity waiver for copyright infringement)
  - No recovery against Government for infringement "committed more than three years prior to filing of the complaint or counterclaim for infringement in the action" *See Blueport Co., LLC v. United States*, 533 F.3d 1374, 1380 (Fed. Cir. 2008) (stating that three-year statute of limitations is jurisdictional)
    - Date between Government receipt of written claim for compensation and date of mailing by Government of notice that claim has been denied does not count as part of three years
- "Reasonable and entire compensation"
  - Actual damages and profits
  - Includes minimum statutory damages under 17 U.S.C. §504(c)

Copyrights
Practical Pointers

- Understand the appropriate vehicle for protecting IP
  - Copyright protection includes source code and object code, but may not include computer processes or methods of operation (more suitable for patent protection). *See Ervin & Assocs., Inc. v. United States*, 59 Fed. Cl. 267, 288–89 (2004)
- Contractors should mark applicable data and software with copyright notice as provided under 17 USCA §401 or §402
  - Especially important under DoD contracts to put third parties on notice, even when Government obtains broad, unlimited copyright license

Intellectual Property in Government Contracts

Trademarks

Trademarks
General Rules

- Word, name, symbol, or device (or combination thereof) used to distinguish the source of a particular good or service.
  - 15 U.S.C. § 1127
- Established upon use of the mark
  - *Gen. Healthcare Ltd. v. Qashat*, 364 F.3d 332, 335 (1st Cir. 2004)
- Enhanced protections available with registration (15 U.S.C. § 1051):
  - Legal presumption of ownership
  - Public notice of ownership
  - Listing in Trademark Office database
  - Ability to restrict import of infringing foreign goods
  - Use of ®
  - Ability to bring an action in Federal Court
  - Basis for protecting in foreign jurisdictions

Trademarks

Potential Government Contracts Issues

- Government does not generally take ownership in or a license to trademarks
- May still affect government contracts:
  - *See, e.g.*, Complaint, *DNC Parks & Resorts at Yosemite, Inc. v. United States*, No. 1:15-cv-01034 (Fed. Cl. Sept. 17, 2015).
  - Contractor running concessions and accommodations at Yosemite had trademarked names. When incumbent contractor lost contract, they sued the government for infringement.
  - Trademarked names have been changed under the new contractor while the case is litigated.

Practical Pointers

Trademarks

- Hire experienced counsel to ensure trademarks are properly registered and protected
- Review use of trademarked goods and services in government contracts
- Determine whether use by future contractors may dilute trademark value or cause confusion

Questions?

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