Demystifying IP/Data Rights in Government Contracts

Virtual Class Series 2024

Session 1: Introduction

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Roadmap

- Syllabus
- What is IP?
- Strategic Considerations for IP in the Government Marketplace
- Overview of Key Concepts and Resources

Today's Goals

- Understand the four basic forms of IP and how they intersect government contracting
- Understand the first principles of how IP rights are allocated in the federal marketplace

Syllabus

- **Session 1**: Introduction
- **Session 2**: DFARS Rights in Non-Commercial Technical Data/Computer Software and Commercial Technical Data
- **Session 3**: Data Rights Under the FAR; Commercial Computer Software (Including Open Source Software)

Syllabus

- **Session 4**: SBIR; Data Rights in Practice
- **Session 5**: Patent Issues
- **Session 6**: Remedies
- **Session 7**: Hot Topics and Emerging Issues

WHAT IS INTELLECTUAL PROPERTY?

What is Intellectual Property?

- The intangible result of creative efforts
- Like other forms of property, the owner of IP has certain rights to that IP
  - Commercially, these rights are typically exclusive
  - In the Government marketplace, exclusivity may be limited

Forms of Intellectual Property: Patents

- Patents protect certain embodiments of ideas
  - Eligibility
  - Utility
  - Novelty
  - Non-Obviousness
- Patents provide the right to exclude others from practicing the invention for a limited time
  - 35 U.S.C. § 271 defines acts of infringement
  - A patent owner can seek remedies for infringement in federal court
- Patents embody an exchange of information for protection
- Patent law is exclusively federal law

Patents in the Government Marketplace: Questions to Ponder

- What rights does the government have to use a contractor's background patents?
- Can patents support a sole-source acquisition?
- What rights does the government have in inventions developed under contract?
- What happens if the government (or its contractor) infringes a third party's patents?

Forms of Intellectual Property: Trade Secrets

- Protection for information that meets the definition of "trade secret"
  - Independent economic value
  - From not being generally known
  - Subject to reasonable steps to maintain secrecy
- Protection against "misappropriation"
  - Not independent discovery
  - Not reverse engineering
- No fixed time limit on protection
- Largely state law (mostly UTSA)

Federal Protection for Trade Secrets

- Economic Espionage Act (18 U.S.C. §§ 1831-1839): Criminalizes the theft of trade secrets
- Trade Secrets Act (18 U.S.C. § 1905): Criminalizes the release of confidential or proprietary information that a government employee gains during the course of employment
- Defend Trade Secrets Act (DTSA) (18 U.S.C. § 1836): Provides federal question jurisdiction for private trade secret misappropriation suits
- How about…
  - *Freedom of Information Act?*
  - *Procurement Integrity Act?*
  - *Non-disclosure Agreements with the Government?*

Trade Secrets in the Government Marketplace: Questions to Ponder

- Can trade secrets support a sole-source acquisition?
- How does the government receive rights in trade secrets?
- How do the different standard licenses impact trade secret protection?
- What happens if the government misappropriates a trade secret?

Forms of Intellectual Property: Copyright

- Copyrights protect **original** works of authorship that are **fixed** in a tangible medium of expression
- The copyright owner has five exclusive rights:
  - Copy
  - Distribute
  - Make Derivative Works
  - Publicly Perform
  - Publicly Display
- Copyrights are limited in time (but much longer than a patent)
- Copyright protection is automatic (but registration has advantages)
- Copyright law is *almost* exclusively federal law

Copyrights in the Government Marketplace: Questions to Ponder

- Can the government create copyright?
- Can the government own copyright?
- Can copyrights support a sole-source acquisition?
- How does the government receive rights in copyrighted works?
- What happens if the government (or its contractor) infringes a third party's copyright?

Forms of Intellectual Property: Trademarks

- Trademarks protect distinctive identifiers of the source or origin of goods and services against:
  - The likelihood of confusion
  - Dilution (of goodwill in the mark)
- No fixed time limit on protection
- Trademark law is a hybrid of common law, state law, and federal law

Trademarks in the Government Marketplace: Questions to Ponder

- Can a contractor hold a trademark for a government program?
- How can trademarks impact solicitations?
- Can trademarks present ethics concerns outside of the procurement process?

STRATEGIC CONSIDERATIONS FOR IP IN THE GOVERNMENT MARKETPLACE

Why Protect Intellectual Property?

Policy Considerations

- Incentive to innovate (and the *quid pro quo* between the IP owner and the public)
- Promote consumer protection
- Uphold commercial ethical standards

Why Protect Intellectual Property? (cont'd)

Strategic Considerations

- Offensive Uses of IP
  - IP as a marketing tool
  - IP as a revenue generator
  - IP as a barrier to entry
- Defensive Uses of IP
  - IP to prevent barriers to entry
  - IP as negotiation leverage
  - IP as deterrent ("mutually assured destruction")

Strategic Tradeoffs for Contractors in the Government Marketplace

- Same basic requirements for protection
  - Protect market share
  - Encourage investment in innovation
- Different customer may mean selling different things or developing different strategies
  - Customer needs to distribute more information
    - Civilian agencies: “Wired to publish”
    - Defense agencies: Long-term sustainment and upgrade
  - Patents are less strategically valuable in securing the government marketplace
- Very specific rules for dealing with the USG

Government Perspectives on IP

- Perception that IP can be used to undermine competition – how to break this cycle
- Constrained fiscal environment – how to do more with less
- Concerns about adversaries' access to/use of emerging/commercial technology – how to keep up
- Challenges on both sides of the table

Evolution of DoD IP Guidance

- Better Buying Power 2.0 (APR 13 Implementation Directive)
  - Emphasis on modular and open systems architecture approaches
- USD (AT&L) Guidelines for Competition (AUG 14)
- IP Strategy Brochure (AUG 14) & Data Rights Focus Sheet (OCT 14)
  - Updates Better Buying Power Data Rights Trifold (JUN 13)
- Final DoDI 5000.02 (7 JAN 15)
- Better Buying Power 3.0 (APR 15 Implementation Directive)
  - Increased focus on technology issues and use of OSA and modular design approaches
- FY15 NDAA, Section 801, Modular Open Systems Approaches in Acquisition Programs
  - Focus on IT systems
- Army Directive 2018-26 and Related Implementation Guidance
  - Encourages negotiation of IP rights under all funding agreements
- DoDI 5010.44 (16 OCT 19), IP Acquisition and Licensing
  - Establishes the DoD IP Cadre (required by 10 U.S.C. § 2322(b))
- *DoD IP Guidebook (Coming Soon?)*

Strategic Considerations for the Government

- Acquisition planning requires consideration of **IP deliverables** and **IP rights**
- Including an IP strategy as part of acquisition planning can have benefits:
  - Increases competition – get better products at a better price
  - Incentivizes technological innovation and market participation, ensuring a strong US industrial base in critical technologies for national defense and economic security
  - Reduces lifecycle/O&M costs
  - Reduces reprocurement costs
  - Avoids vendor-lock

KEY CONCEPTS

Fundamental Principles

- Ownership v. License
  - The government rarely takes ownership of IP
  - In almost all cases, the contractor retains ownership of the IP and the USG gets a non-exclusive license
- Minimum Necessary (No "Grabs")
  - The USG 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"
- Address Deliverables and Rights (and 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
- The clauses **dictate** the relationship between the USG and a contractor; they only **inform** the relationship between contractors
- *Contracts v. assistance agreements v. OTs*

A Quick History Lesson

- Before the 1980s, DoD largely obtained the technology it needed through direct funding of projects, government R&D, and support for independent R&D
- Rapid innovation in the 1980s rendered this approach obsolete, as commercial technology outpaced DoD technology in areas of vital importance to weapon systems

A Quick History Lesson (cont'd)

- President Reagan appointed the "Packard Commission" to "study the issues surrounding defense management and organization, and report its findings and recommendations"
- The Commission observed reluctance to participate in DoD procurement for fear that contractors' IP rights would be seized by DoD:
  - "DoD's new push for competition has caused an imbalance in weighing the contractor's legitimate interest in protecting data, its competitive position and economic interests, against the Government's need for data, especially for competitive procurement"
  - "Keeping the various elements in balance is in the public interest[,] . . . encourages innovation, keeps suppliers in the industrial base, and increases contractors' willingness to permit government access to and use of data"

A Quick History Lesson (cont'd)

- To help achieve this balance, the Commission recommended that contractors retain proprietary rights in data, including as to items developed exclusively with Government funding
- In response, Congress amended 10 U.S.C. § 2320 (now 10 U.S.C. § 3771) to require DoD to promulgate new data rights regulations

A Quick History Lesson (cont'd)

- But it took a while to get the regulations "right" – and what we ultimately got reflected a compromise between the USG and its contracting partners
- We're still using (substantially) the same regulations from 1995, and the same animating concerns from 1995 remain critical today:
  - DoD still needs innovative contributions from industry
  - DoD still seeks to maintain a robust industrial base
  - Private industry still has an interest in commercializing its IP rights in federally-funded technology
- These concerns are rooted in the risk that failure to protect contractor IP will make contractors less willing to devote their best and brightest to DoD procurements, causing "leading technology firms to avoid the defense business for fear that, in providing the DoD such access, their competitive edge might be compromised" and leading to a reduction in "the size of the defense industrial base"

Presenters

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Scott helps clients identify, protect, manage, and enforce their intellectual property rights. His practice focuses on the complex intellectual property issues confronted by government contractors, including patent rights and rights in technical data and computer software, with emphasis on the aerospace, defense, and intelligence sectors.

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Professor Ralph C. Nash, Jr. founded the academic discipline of government contacts law with the late John Cibinic. He was Professor Emeritus of Law of The George Washington University, Washington, D.C., and founded the Government Contracts Program. Professor Nash is currently a consultant for government agencies, private corporations, and law firms on government contract matters. He is active in the Public Contracts Section of the American Bar Association, is a member of the Procurement Round Table, and is a Fellow and serves on the Board of Advisors of the National Contract Management Association.