

2007 Annual Update
on Government Contracts



WHO'S MINDING THE STORE: STOPPING YOUR IP FROM GOING OUT THE FRONT (& BACK) DOOR

Jeffrey S. Newman

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Overview



- Valuable Types of IP to Protect
- Treatment of IP Rights Under Military and Civilian Programs
- Utilizing Certain Agreements to Maximize Rights
- Importance of Markings and Disclosure Obligations

Technical Data and 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 and Computer Software



■ Funding Sources

- Unlimited (Government Funded)
- Limited/Restricted (Contractor Funded)
- Government Purpose (Mixed Funding)/DoD Only
- Specially Negotiated Rights License Rights (not < Limited/Restricted)

■ Government's "Standard" License Rights

- Take advantage of special rules that apply to commercial items

“Commercial” Technical Data and Computer Software



- FAR Part 12 provides contractors the opportunity to negotiate special license rights
 - Permits use of standard commercial license rights
- Leverage the FAR definition of a Commercial Item at FAR 2.101
 - Broad definition that is more expansive than COTS
 - No sales requirement
 - May include “evolved” products through advances in technology or performance, and
 - Product modifications
- “CI” Treatment of Computer Software & Technical Data Under the DFARS and FAR

Protecting Your Developments



- 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, 2007

Module 2

Developed at Private Expense

Completion Date: July 1, 2007

Module 3

Developed with Mixed Funding
(Contractor/Government)

Completion Date: August 1, 2007

Module 4

Developed Entirely at
Government Expense

Completion Date: September 1, 2007

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

Protecting Your Developments



- In particular, where possible, classify developmental costs as IR&D outside the contract (ATK Thiokol, Fed. Cl. 2007)
 - As noted, government rights in technical data determined by whether development occurred at government expense.
 - Normally, government obtains unlimited rights in such government funded data.
 - **However, IR&D costs treated as private expense and do not mandate a license to the government – even though such costs may be reimbursed in part by the government as indirect costs.**
 - The same holds true for the development of inventions during the performance of a government contract (conceived or first actually reduced to practice).

Protecting Your Developments (Cont'd.)



- Generally, as we will see, inventions conceived or first actually reduced to practice during contract performance will require contractor to provide license to the government to practice such invention (Subject Inventions).
- However, if development effort is properly classified as IR&D, then such resulting inventions would not be Subject Inventions requiring a standard license back to the government – regardless of potential federal funding of the remaining work.
- What system do you have in place to identify, segregate and preserve IP for which you want to retain exclusive rights?

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
 - Three Cases:
 - Xerxe Group (Fed. Cir. 2002)
 - General Atronics Corp. (ASBCA 2002)
 - Spotless Janitorial Services (GAO 2005)

Patent Protection



- Since 1980, patent provisions are “standard” based on statute (Bayh-Dole Act), which is implemented under the FAR
- Focus is on “subject inventions”
- U.S. contractors can obtain title to patented “subject invention”
- Government gets a paid-up, royalty free, non-exclusive license (potentially broad application)
- Contractors can “lose” title if it does not report the invention or fails to commercialize

Patent Protection



- Understanding “subject invention” is critical –
 - “Invention of the contractor that is conceived or first actually reduced to practice in the performance of work under this contract.”
- Application: At Ends of the Spectrum –
 - An invention is conceived and developed at private expense, but government funding is provided to demonstrate the invention in its first reduction to practice
 - An invention is conceived under a government contract, but all development and reduction to practice is accomplished at private expense
 - Two Scenarios = Two Subject Inventions

Patent Protection



- Protect pre-existing rights
 - Notify the government in your proposal (Reference: ATK Thiokol)
 - Provide written notice after award
 - Try to amend the contract
- Helps avoid disputes during contract performance = Better customer-contractor relationships
- Recordkeeping and notice systems are also critical for protecting patent rights
 - Campbell Plastics Engineering & Mfg. Inc. (Fed. Cir. 2004)
- Disclosure and election obligations

Utilizing Certain Agreements To Maximize Rights



- FAR applies to procurement contracts
- Increased flexibility in “Other Transactions”
- Individual agency regulatory schemes should be reviewed to determine benefits of using cooperative agreements, CRADAs, grants, etc. (*Data and software only*)
- Be vigilant in protecting your “Crown Jewels” in whatever agreement you negotiate

Concluding Considerations



- Continued use of improper IP provisions – therefore, scrub the contract
- Subcontractor Concerns
 - Commercial Item flowdowns
 - Direct contact with government customer (“spokes in a wheel”)
 - Primes are not supposed to use their leverage to obtain rights in sub’s IP, but can do so as part of a larger arrangement with separate consideration