



# GOVERNMENT CONTRACTS

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*update*

## **Intellectual Property Protection**

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

<p><b>Module 1</b> Developed at Private Expense <u>Completion Date:</u> June 1, 2013</p>	<p><b>Module 2</b> Developed at Private Expense <u>Completion Date:</u> July 1, 2013</p>
<p><b>Module 3</b> Developed with Mixed Funding (Contractor/Government) <u>Completion Date:</u> August 1, 2013</p>	<p><b>Module 4</b> Developed Entirely at Government Expense <u>Completion Date:</u> September 1, 2013</p>

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

# 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:

- |                                       |                                |
|---------------------------------------|--------------------------------|
| • <u>Xerxe Group</u>                  | <u>Night Vision Corp.</u>      |
| • <u>General Atronics Corp.</u>       | <u>Bell Helicopter Textron</u> |
| • <u>Spotless Janitorial Services</u> | <u>Series of FOIA Cases</u>    |



# 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”
- 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
  - Provide written notice after award
  - Try to amend the contract
- Helps avoid disputes during contract performance
- 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”/Related Customers
- 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 its leverage to obtain rights in sub’s IP, but can do so as part of a larger arrangement with separate consideration

# Thank You

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