



GOVERNMENT CONTRACTS

update

Intellectual Property Protection

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

Jeff Newman, Partner
Thompson Coburn LLP
1909 K Street, N.W., Suite 600
Washington, DC 20006
202.585.6977
jnewman@thompsoncoburn.com
www.thompsoncoburn.com