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Intellectual Property and Data Rights in Government Contracts

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The ideas and opinions expressed in this presentation are those of the author, and do not necessarily represent Rice University, its trustees, faculty, staff, or sponsors.

- Career
 - Started career in accounting at Cessna (a Textron Company)
 - Worked for the Clinton Foundation as Analyst
 - While in law school, worked at Hanscom AFB as a Law Clerk doing Ethics, Fraud, and Contracts
 - Due to untimely freeze at Pentagon, moved to MIT Lincoln Laboratory as Assistant Ethics Officer
 - Moved to Rice University to be closer to family, and to avoid shoveling snow
- Other stuff
 - Juris Doctor (JD) from Suffolk Law, MBA from University of Texas at San Antonio, BS from Trinity University (TX)
 - Certified Federal Contracts Manager (CFCM)
 - Certified Compliance and Ethics Professional (CCEP)

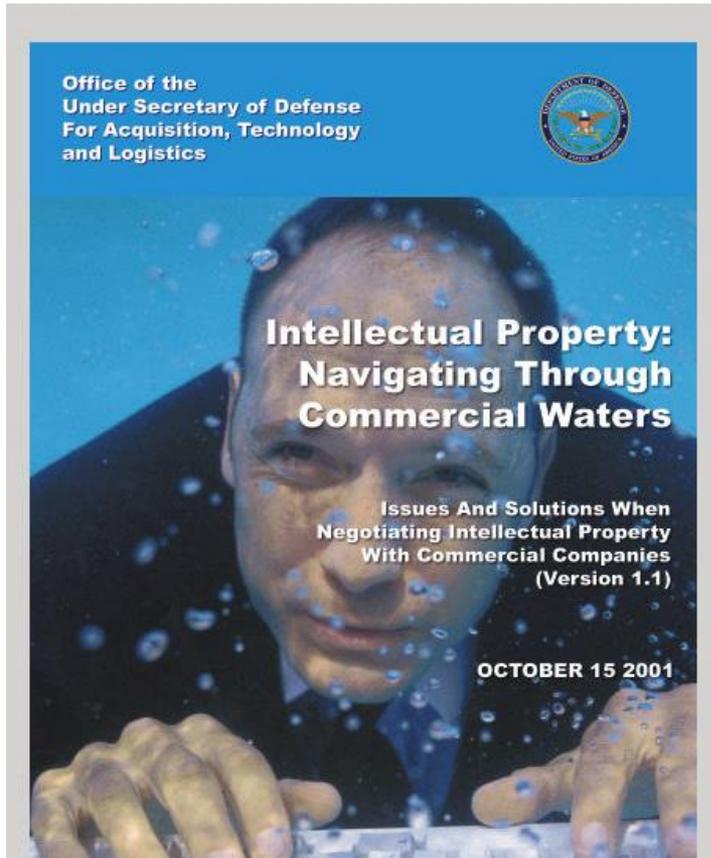


- Intellectual Property
 - Patents
 - Copyright
 - Trade Secrets
 - Trademarks
- Rights in Technical Data (Defense Agencies)
 - Right in Technical Data (non-commercial)
 - Rights in Computer Software (non-commercial)
 - Rights in Technical Data and Computer Software (commercial)
- Data Rights (Civilian Agencies)
- Rights in Practice
- Patents under Government Contract
- Other IP Topics
- Questions and Answers



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- Before today



- After today





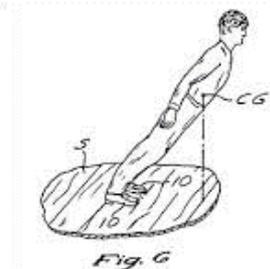
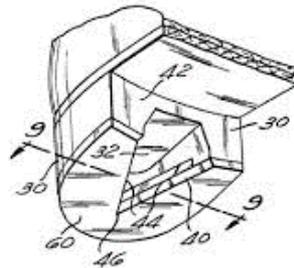
- Creations of the mind
- Property interest in intangibles
- Like other property, it has value because it can be used, licensed, or sold – and others can not use it without your permission
- Keep in mind the difference between ownership and the right to use something someone else owns (license)



- US Constitution, Article I, § 8, cl 8 authorizes a patent systems to “promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries”
- Patents are written instruments issued by the US Patent and Trademark Office
- Government granted monopoly to the inventor for a period of 20 years from date of application

Requirements to issue patent

- Patentable subject matter
 - “Anything under the sun that is made by man.” *Diamond v. Dieher*, 450 U.S. 175 (1981); and can not patent laws of nature, physical phenomena, or abstract ideas. See *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).
- Useful
 - Very low standard. Does not have to be marketable or practical - any use will do!
- Novel
 - Different than anything that came before in printed publications, public use, or commerce (referred to as the “prior art”)
- Non-Obvious
 - From the viewpoint of one skilled in the art



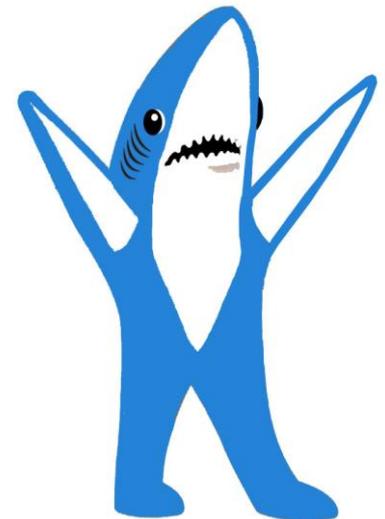


- Three types of Patents
 - Plants (e.g. new genetically modified bug resistant plant). 35 U.S.C 161-164
 - Design (e.g. ornamental and non-functional aspect of a tangible object). 35 U.S.C. 171-173
 - Utility. A new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof. 35 U.S.C. 101



- Information that derives independent economic value from not being generally known to or readily ascertainable by others using proper means
 - Owner must make reasonable efforts to maintain secrecy
 - Primarily state law, but certain federal statutes also protect
 - Most state and District of Columbia have adopted some form of the Uniform Trade Secrets Act
 - No time limit on protection
- **Examples**
 - Coca Cola recipe
 - Google's search algorithm
 - Twinkies

- Protects original works, which are those that are independently created and possess a modicum of creativity
 - E.g. literary, musical, dramatic, pantomimes, choreographic, pictorial, graphic, sculptures, motion pictures, audiovisual, sound records, architectural work.
- Not required to register, but must give notice by copyright or ©
 - Registration is required to file in federal court, and for certain remedies
- Five Rights
 - Reproduce the work
 - Prepare derivative works
 - Distribute copies
 - Perform the work in public
 - Display the work in public
- Period of protection depends on when created
 - Created after 1998, protection for life of the author plus 70 years



- Fair Use
 - The same statute that provides for copyright protection allows for limited use of copyright works, typically called “fair use.” (See 17 U.S.C. 107)
 - Fair use includes reproduction of a particular work for criticism, comment, news reporting, teaching, scholarship, and research.
- Factors in determining Fair Use
 - The purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes
 - The nature of the copyrighted work
 - The amount and substantiality of the portion used in relation to the copyrighted work as a whole
 - The effect of the use upon the potential market for, or value of, the copyrighted work
- No formula or exact method – fair use is determined after the fact using all of the facts and circumstances



- Allows manufacturers and service providers to use marks that distinguish their goods and services from those of others, and restricts confusingly similar marks. 15 U.S.C. 1125
- Must be inherently distinctive, or descriptive such that it has acquired a second meaning
- Owner must remain vigilant to protect the mark from unauthorized use





Questions on IP in general before we go to Data Rights?





- Do your Homework
 - Read the FAR and DFARS clauses at issue. It is the single most important thing you can do
 - Then talk to your supervisor, and then your attorney
 - Begin with the end in mind. What are you trying to do?
 - Think carefully about what is being delivered, and more importantly what is not being delivered
- Then answer these questions
 - Is it subject to the FAR or DFARS?
 - Is it Commercial or Non-Commercial?
 - Is the item technical data or computer software?

- Two separate regimes
 - Technical data and computer software for defense, as set forth in DFARS Part 227 and clause 252.227, or Data rights for civilian agencies as set forth in FAR Part 27 and clause 52.227
 - DOD is exempt from FAR Part 27, see FAR 27.400 and DFARS 227.400
- Government rarely takes ownership, rather it receives a non-exclusive license
 - The scope of the license depends on several factors
- Policy - The Government should take only the minimum necessary deliverables and rights in those deliverables to meet its needs. See FAR 27.402 and DFARS 227.7103-1
- Under the DFARS, rights are determined at the lowest segregable portion of the item or sub-component or software. This concept is not in the FAR



- “Technical data” is recorded information, regardless of the form or method of the recording, of a scientific or technical nature.
DFARS 252.227-7013
 - Includes computer software documentation, or computer databases- but does not include the actual software
 - Does not include data incidental to contract formation, such as financial information. Nor does it include unrecorded information (e.g “know how”)
 - Does not include the end item itself

- Standard Licenses
 - Unlimited Rights: The rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do the same. DFARS 252.227-7013(a)(16).
 - Contractor retains ownership, but may have trouble commercializing.
 - Government could give data to competitor to use commercially

- The Government gets Unlimited Rights in the following
 - Technical data pertaining to items, components, or processes developed exclusively at Government expense;
 - Form, fit, and function data;
 - Studies, analyses, test data, or similar data that are produced for the contract when the work was specified as an element of contract performance;
 - Technical data created exclusive with Government funds in the performance of a contract that does not require the development, manufacture, construction, or production of items, components, or processes;
 - Data necessary for operations, maintenance, installation, or training purposes (OMIT data), other than detailed manufacturing or process data;
 - Corrections or changes to technical data furnished to the contractor by the Government;
 - Technical data that is otherwise publicly available or released/disclosed by the contractor without restriction;
 - Technical data in which the Government has obtained unlimited rights under another contract or as a result of negotiation; and
 - Technical data furnished with government purpose rights and the restrictions have expired.

- Standard Licenses (cont.)
 - Government Purpose Rights: Government purpose rights provide the Government with unlimited in house rights and allow the Government to release or disclose the technical data outside the Government and authorize third parties to use, modify, reproduce, release, perform, display, or disclose the technical data for government purposes. DFARS 252.2277013(a)(13).
 - “Government purposes” means any activity in which the Government is a party. It includes competitive procurement, but excludes commercial purposes. DFARS 252.227-7013(a)(12)
 - Includes work with foreign, state, or local governments
 - Become Unlimited Rights after five years from execution of contract or option
- The Government shall have government purpose rights in the following technical data:
 - Technical data pertaining to items, components, or processes developed with mixed funding (except when the Government is entitled to unlimited rights)

- Standard Licenses (cont.)
 - Limited Rights: Limited rights provide the Government with unlimited in house rights but restrict the Government from releasing or disclosing the technical data outside the Government except in limited circumstances.
 - The two most common circumstances where outside disclosures are permitted are disclosures necessary for emergency repair and overhaul and disclosures to covered government support contractors (e.g. an FFRDC or advisory service contractor). DFARS 252.2277013(a)(14).
 - Generally, such a disclosure will require a Non Disclosure Agreement (NDA)
 - Government is also permitted to share for segregation and reintegration
- The Government shall have limited rights in the following technical data:
 - Technical data pertaining to items, components, or processes developed exclusively at private expense (except when the Government is entitled to unlimited rights as set forth above)



- Standard Licenses (cont.)
 - Specifically Negotiate License Rights
 - The contract may modify the standard license so long as the Government receives no less than limited rights in the technical data (DFARS 227.7103-5)
 - SBIR Rights
 - Royalty-free license for Government and support service contractors to use or disclose technical data or computer software generated or developed under contract for any U.S. Government purpose
 - Five years after completion of project, then converts to unlimited rights
 - Limited disclosure to third parties



- An item was “Developed” under the contract when it comes into existence as a workable item, process, or practice
- Source of Funds Determination
 - Exclusively Private
 - Independent Research and Development funds. When audited, must be able to show accounting in line with disclosed accounting practices.
 - Costs in excess of Firm Fixed price are not automatically a private expense
 - Exclusively Government
 - Not developed at private expense, even partially
 - Mixed Funding
 - Developed with some funds charged to Government contract, and some that are not.
- Segregability
 - The source of funds should be made at the lowest sub-item, sub-component, or portion of a process that is reasonable. See DFARS 252.227-7013(a)(8)



- Contractors can not be required to provide the Government with additional rights beyond what the Government is entitled to as a condition of award
 - but Government can consider rights in the source selection decision. See DFARS 227.7103-1(c).
- Subcontractors (DFARS 252.227-7013(k))
 - Prime must flow down clauses without altering parties
 - Primes can not use their position to leverage rights for themselves
 - Subcontractors can submit technical data directly to the Government, and can also discuss/resolve IP disputes directly with the Government

Well that was easy – let's do Non Commercial Computer Software now!



- Generally parallels technical data
- “Computer Software” means computer programs, source code, source code listings, design details, algorithms, and the like that would enable the software to be reproduced, recreated, or recompiled
 - Excludes computer software documentation and computer databases (which are technical data)

- License Rights (DFARS 252.227-7014)
 - Unlimited and Government Purpose Rights.
 - Generally the same as Technical Data
 - Restricted Rights (not limited)
 - Allow Government to use the software on one computer at a time, unless otherwise permitted.
 - Government may modify (and modifications will be restricted as well)
 - Support contractor can use and modify, provided they have a NDA
 - A program or software is “developed” when it has been successfully operated in a computer and can perform its intended purpose
 - Subcontract rights
 - Generally the same as with Technical Data



- Commercial (DFARS 252.227-7015)
 - As a matter of policy, the Government only acquires the technical data provided to the public with a commercial item
 - With some exceptions including form, fit and function data, data for repair and maintenance, etc
 - This is the same for software, unless the license is inconsistent with Government Law
 - Open ended indemnification clause, struck out by including FAR 52.212-4
 - Choice of law and forum clauses
 - Automatic renewal terms

- FAR has a single clause, 52.227-14
 - Does not generally differentiate between commercial and non commercial, or between technical data or computer software.
 - No Government Purpose Rights, specifically negotiated rights, or segregability



- Either Unlimited Rights, or Limited/Restricted Rights
- Government receives unlimited rights in
 - Data first produced in the performance of the contract
 - Form, fit and function data
 - Data delivered under the contract, unless specifically provided as limited/restricted rights data
 - Primary method to protect data is by withholding from delivery (FAR 227.14(g))
- Limited/Restricted Rights
 - Data or software delivered with proper restrictive markings

- Limited rights technical data is data, other than computer software, that embodies trade secrets or are commercial or financial and confidential or privileged FAR 52.227-14(a).
- Restricted computer software is computer software developed at private expense and that is trade secret, commercial or financial and confidential or privileged, or is copyrighted computer software, including minor modifications to the same. FAR 52.22-14(a).
 - For both, use alternate clauses or withhold either the data or the source code
- Commercial Computer Software
 - The Government licenses commercial computer software subject to the same license as any other commercial licensee unless that license is inconsistent with federal law or otherwise does not meet the Government's needs. The license must be incorporated into the contract. FAR 12.212.
 - See also FAR 52.227-19. FAR 27.4053; FAR 27.409(g).



	Commercial Technical Data	Commercial Software	Non-commercial Technical Data	Non-commercial Software
Defense	252.227-7015 (252.227-7013 for elements developed at Government expense)	No clause; adopt standard commercial license unless inconsistent with federal law or does not meet needs	252.227-7013	252.227-7014
Civilian	52.227-14	Adopt standard commercial license unless inconsistent with federal law or does not meet needs; can use 52.227-19	52.227-14	52.227-14

- It is the contactors duty to properly mark data and software
 - The Government may assume that unmarked data/software is delivered with Unlimited Rights (DFARS 227.7101-10(c))
 - But contractor may in some instances correct, at its own expense, for a period of 6 months
 - The exact wording of the marking is in the clause itself (See FAR 52.227-14(g) and DFARS 252.227-7013 or 7014)
 - Marking must be conspicuous and legible
- Data that will be furnished with restrictions must be identified prior to delivery (See FAR 52.227-15 and DFARS 252.227-7017)
 - Any data delivered with less than unlimited rights must be listed in the table
 - Contractor must have appropriate documentation to support restriction

- Non Conforming Markings
 - If markings do not match clause requirement, the Government will notify the contractor
 - If the contractor has not corrected or removed the marking within 60 days, the Government may remove, ignore, or correct the marking. DFAR 252.227-7013(h)
- Validation of Markings
 - Within three years of final payment, the Government may challenge and validate any marking if it has reasonable grounds (FAR 52.227-14, DFARS 252.227-7019 and 7037)
 - Contractor has 60 days to respond
 - Can appeal to Court of Federal Claims, Or Board of Contract Appeals



- Distinct from data rights or computer software rights
 - See FAR 52.227-14(i), and DFARS 252.227-7013(i) or 7014(i)
- Bayh-Dole Act at 35 U.S.C. 200-212 is primary source of rights and duties in this area
 - Applies to “subject inventions”, which are inventions of the contractor conceived or first reduced to practice in the performance of work under a government funding agreement
 - The inventor (individual or company) must disclose the invention to the Government, and typically retains ownership of the patent
 - The Government receives nonexclusive, nontransferable, irrevocable, paid up license to practice or have practiced the invention throughout the world.
 - March in rights- the Government can mandate the contractor license the invention to other parties. To date, this clause has not been used.

- **Special works and Existing work (for both FAR and DFAR)**
 - For when the Government has a need to limit distribution, or purchase the rights to a work that is already in existence.
 - See FAR 27.405-1 and DFARS 227.7106, and FAR 27.405 and DFARS 227.7105
- **Deferred Delivery (DFARS 252.227-7026)**
 - The Government may defer delivery of data for up to two years after the contract termination
- **Deferred Ordering (FAR 52.227-16 and DFARS 252.227-7027)**
 - The government may order technical data or software for up to three years from contract termination
 - Contractor is compensated for only the only for converting the data, reproduction, and delivery. They are not compensated additionally for the data itself, however the cost of either deferred clause will likely be included in the initial contract price
- **Proposals**
 - **Unsolicited (FAR 15.6)**
 - Government shall not use data, concepts or ideas from unsolicited proposal as basis for solicitation or negotiation with other firms
 - Government shall not disclose restively marked unsolicited proposal data
 - For successful proposals, see FAR 52.215-1(e) and 52.227-23; and DFARS 252.227-7016



- Materials for this presentation are organized around the US Army JAG School Contract Attorney's Deskbook, 2014, Chapter 16 which is an outstanding resource in this area. It can be accessed here:
 - http://www.loc.gov/rr/frd/Military_Law/Contract-Fiscal-Law-Department.html
- See also
 - Intellectual Property: Navigating through Commercial Waters (2001)
 - <http://www.acq.osd.mil/dpap/Docs/intelprop.pdf>
 - Patent Rights under Government Contracts (DeVecchio, 2007)
 - <https://jenner.com/system/assets/publications/2107/original/JayDeVecchio.pdf?1315507330>
 - Rights in Technical Data and Computer Software Under Government Contracts: Key Q&A, Parts I and II (DeVecchio 2010, 2012)
 - https://jenner.com/system/assets/publications/11855/original/devecchio_briefing.pdf?1366991660
 - https://jenner.com/system/assets/publications/10151/original/BP_12-6_Rights_in_Technical_Data.pdf?1339437750
 - Intellectual Property in Government Contracts, Sixth ed. (Nash, 2008)
 - <http://www.amazon.com/Intellectual-Property-Government-Contracts-Ralph/dp/0808019341>



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- Questions or Comments?

