

Holland+Knight

**NDIA Small Business Breakfast
Improving IP Protection**

**Spectrum Sciences v. The United States
A Case Study
January 15, 2009**

John P. Moran,
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THE PROJECT – A New Munitions Assembly Conveyor (MAC)



Spectrum Protected its IP By:

- Using the three fundamentals:
 1. Notification
 2. Identification
 3. Making

NOTIFICATION - PRE CRADA DATA

Spectrum Told the Air Force that it was important to protect its pre-CRADA proprietary data

¹¹ In communications with various Air Force personnel, Mr. Howard stressed the importance of protecting Spectrum's pre-CRADA proprietary data. As he indicated during his testimony: "I discussed [Spectrum's proprietary rights] with Chief [James P.] Shelingoski, the Chief of MMHE Focal Point. I discussed that issue with Jerry Jones, who was drafting the CRADA at the time. [I told them] [t]hat we had done this development under our, in our lab, at our expense; and we considered this as intellectual property or trade secrets of Spectrum. And we would like to ensure that it's protected." During his testimony, Chief Shelingoski confirmed the essential details of this account.

IDENTIFICATION - PRE CRADA DATA

Spectrum has supported the development of a product line of munitions handling equipment prior to this AGREEMENT and specifically claims intellectual property rights particularly as related to their existing product line, and design work completed on the laboratory RAMS which includes modification of the gantry to 6000 lbs load limit, the braking system on the rail conveyor, the interface control board to make it electrical/pneumatic, modification to the rail conveyor for torque of GBU's, the development of a 5500 lb electric hoist with powered trolley, new lighting system and development of a working table with modification of container lid. WMOM will protect Spectrum's proprietary rights in accordance with Article 7 of this AGREEMENT.

CRADA Appendix A, Section 5.1.1

CRADA PROTECTS PRE-CRADA DATA

Air Force agrees to protect Spectrum's pre-CRADA proprietary data

UNIT agrees that any designs, technologies, or the integration of technologies developed under COLLABORATOR funds are proprietary to COLLABORATOR.

¹² Consistent with these provisions, an internal Air Force e-mail, dated on or about September 27, 2000, recognized – “Any preexisting proprietary data was specifically excluded under the CRADA as outlined in the work plan. Therefore, the CRADA has nothing to do with Spectrum data rights on data not generated under the CRADA. The government is under obligation to protect from release any pre-existing proprietary data.”

CRADA DATA PROTECTED BY LAW

Per DFAR 252.227-7018(b)(4), *for 5 years from completion of the project*, the Government cannot disclose SBIR Data or Software except

- as expressly permitted by Contractor
- for evaluation purposes
- when necessary for emergency repair or overhaul of items operated by the Government

MARKING

Spectrum Identified CRADA proprietary data

PROPRIETARY INFORMATION:

This drawing is the property of SPECTRUM SCIENCES of Ft. Walton Bch., Florida and it contains proprietary and trade information belonging to same. The drawing and its contents are not to be disclosed, used, or duplicated for procurement, manufacturing, or any other purposes except as authorized in writing by SPECTRUM SCIENCES.

POST CRADA PROCUREMENT BREACH OF CRADA AND IP RIGHTS

- Disclosed Spectrum's pre-CRADA IP to Gov't personnel drafting a RFP
 - Two Gov't personnel heavily involved in CRADA assigned to RFP team
 - Spectrum's information freely provided to the RFP team

POST CRADA PROCUREMENT BREACH OF CRADA AND IP RIGHTS

- Provided Spectrum's IP to outside contractors in both draft RFP and final RFP
- Did not allow Spectrum to review specifications in either draft RFP or final RFP
 - Despite Spectrum's complaints that the draft RFP included its IP
- Contract awarded to competitor

Court's Ruling

"The court need go no further. Based on the foregoing, it finds that the Air Force repeatedly breached the CRADA and that defendant should be held liable therefor."

"The court has little doubt that the breaches here resulted in recoverable damages – at least sufficient enough to move this case into its next phase."

"[T]he parties shall conduct at least one serious discussion regarding settlement."

CURRENT STATUS OF THE CASE

- No Settlement
- Case in discovery the amount of damages until April 30, 2009

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