Protecting and Enforcing IP Rights in Government Contracts: What You Don't Know Will Hurt You

Strategies for Preserving IP Rights: Copyrights and Trade Secrets

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A. Copyrights & Trade Secrets: Non-Software

- Copyright
  - Any work of an author
    - Protects expression not idea
  - Very enforceable, but only as to precise work
    - Does not affect independent development
    - Does not protect (well) against reverse engineering except to extent reveals trade secrets in violation of license
  - All development agreements address
    - Existing works and rights to use
    - Derivative works (i.e., works including the work)
    - Assignment of rights
    - Number of authorized copies and distribution

A. Copyrights & Trade Secrets: Non-software (Cont.)

- Trade Secrets
  - Information Having Value Based On Not Being Publicly Known
    - Not Restricted to Classification
      - No need to be fixed, patentable, scientific information
  - Less Predictable In Enforcement, Still Powerful
    - Software
  - All Development Agreements Address
    - Existing Trade Secrets and Who Has Access
    - Rights to Jointly Developed Information

A. Copyrights & Trade Secrets: Non-software (Cont.)

- In Govt Contracts: combine © and TS license rights jointly referred to as “rights in technical data” or “computer software rights”
  - Technical data: any recorded information of a scientific or technical nature
    - drawings, reports, blueprints, etc.
  - Computer software:
    - computer programs (e.g., object code or executable code)
    - Source code – human readable … key for modification
    - Computer databases???
    - Software Documentation???
  - “Databases” – FAR vs. DFARS … but in the end it’s all the same

A. Copyrights & Trade Secrets: Non-software (Cont.)

- In commercial world, same rights bundle occur with know how licenses and software licenses
  - Unlike commercial world, there are specific statutes of which one needs to be aware
    - Freedom of Information Act (FOIA)
      - If no reasons not to distribute, Government must distribute
    - 10 U.S.C. §2320: Unlimited rights in certain technical data required under procurement contract

A. Copyrights & Trade Secrets: Non-software (Cont.)

- Typical strategy
  - Carve out protected elements as limited rights/restricted rights
    - DoD based: mark delivered products as limited rights or restricted rights
    - Non-DoD: unless delivered as restricted or limited, withhold delivery of portions

Why Does IP Seem So Hard?

(Example: the DoD model…)

- Traditionally: DoD-unique, and DoD-funded
  - Always get all the data, and all the rights, all the time
- 1990's Acq Reform: use commercial & non-developmental
  - Never get the data (or only the fluff), and "no" rights as the rule
- Today: reality is a that it's a MIX of both
  - **DoD adaptation to commercial/NDI**
  - **Integration of comm/NDI into DoD systems**

Why Does IP Seem So Hard? (Cont.)

- The Essence of IP: any information that has value
  - **Best known: patents, copyrights, trade secrets, trademarks . . .**
- Legally Protected (but limited) "monopoly" power
  - **The bridge between cool technology and $$$$$**
- The IP business model:
  - **Return on Investment (ROI) … PLUS Profits Galore**
  - **Selling/Licensing must preserve your exclusive rights**
  - **Cost-spreading/sharing from wide customer base**
- The Government procurement business model: **3 Key elements**
  - **competition**
  - **competition**
  - **competition**

A. Copyrights & Trade Secrets: Non-software (Cont.)

- Strategy developed at time when Large Contractors Dominated R&D Procurement Market
  - Due to 28 USC §1498: Patents and Copyrights not as valuable to contractor
    - Government defends contractor infringement
    - Contractor cannot use patents for procurement advantage
- Success in follow on procurement hinged on trade secret protection
  - Used to enjoin competitors from building spare parts, production models
  - Circumvent CICA
- Traditional contractor base follows this model

A. Copyrights & Trade Secrets: Non-software (Cont.)

- Not Same Model as Exists in Today's Technology Marketplace
  - Patents and trademarks important to commercial market
  - For technical data and computer software, compliance with terms not engrained in commercial contractor process
  - Lack of flexibility in these areas represented stumbling blocks
- Strong push to get away from standard clauses
  - Make friendlier to commercial companies
- Benefits of the standard clauses
  - Very well known and understood in community

1. Financing as Affects Rights

- Rights in technical data affected by two factors
  - When developed
  - Money used
    - Requires separate different fund sources
      - Private or IR&D money
      - Government only money
      - Mixed funding (Government & private)
- Unlike patents, which is event driven only

1. Financing as Affects Rights (Cont.)

- Like patents, delivery not required for rights
  - Can develop report with unlimited rights to Government, but if not delivered, Government cannot disseminate
    - Later delivery to Government means must separate the unlimited right data from other delivered data with restrictions (if any)
      - In mean time, still a trade secret
  - *Bell Helicopter*, 85-3 BCA 18,415 (ASBCA 1985) provides good example of how to deliver different categories of rights not affected by timing of delivery

2. Pre-Contract Submissions

- Are mechanisms which allow submissions for use in contract evaluation/proposals
  - Regulated by solicitation IP provisions
    - Not always included (especially if for unsolicited provisions)
  - Need to be to sure mark properly
    - If is solicitation provision, mark accordingly
    - If is not solicitation provision, at least mark “proprietary,” “trade secret,” “not for release” in bold
  - Want to be sure not released under FOIA or for Competitive purposes to competitors

2. Pre-Contract Submissions (Cont.)

- Caution: Make sure at least allow contracting officer to use for evaluating bid and for releasing winning bid price data
  - Example: *Spotless Janitorial Services*, B-295620 (GAO) (Feb. 18, 2005)
  - Bid submitted with restrictions on release of proposal
    - Did not distinguish which portions proprietary
      - Winning bids need to have certain data releasable to unsuccessful bidders (FAR 14.402-1)
      - Needed to ensure fairness in awarding contract
    - Since not able to read material provisions, bid was deemed non-responsive and rejected
- Lesson: do not over-mark bids and proposals

3. Vehicle Dependent

i. Standard FAR/DFARS contracting
- Civ: 41 U.S.C. §§ 418a & 253d; DoD: 10 U.S.C. §§ 2320 & 2321
- FAR Parts 27 and 52.227-14 through 52.227-23
  - Supplements: X27 and X52.227-xx
    - DFARS Part 227, and clauses 252.227-7013-7039
- Contracting for Commercial Items
  - FAR Part 12 & Supplements
  - DFARS **252.227-7015** provides statutory minimum for technical data (not software)

ii. Assistance Instruments – Grants, Cooperative Agreements, TIAs
  i. Agency-specific: e.g., DoD uses the DoDGARS

iii. CRADA
- 15 USC §3710a

iv. Other Transactions – agency-specific authorities
- 10 U.S.C. §2371 (DOD, DHS)
- 42 U.S.C. §2451(c)(5) (NASA)

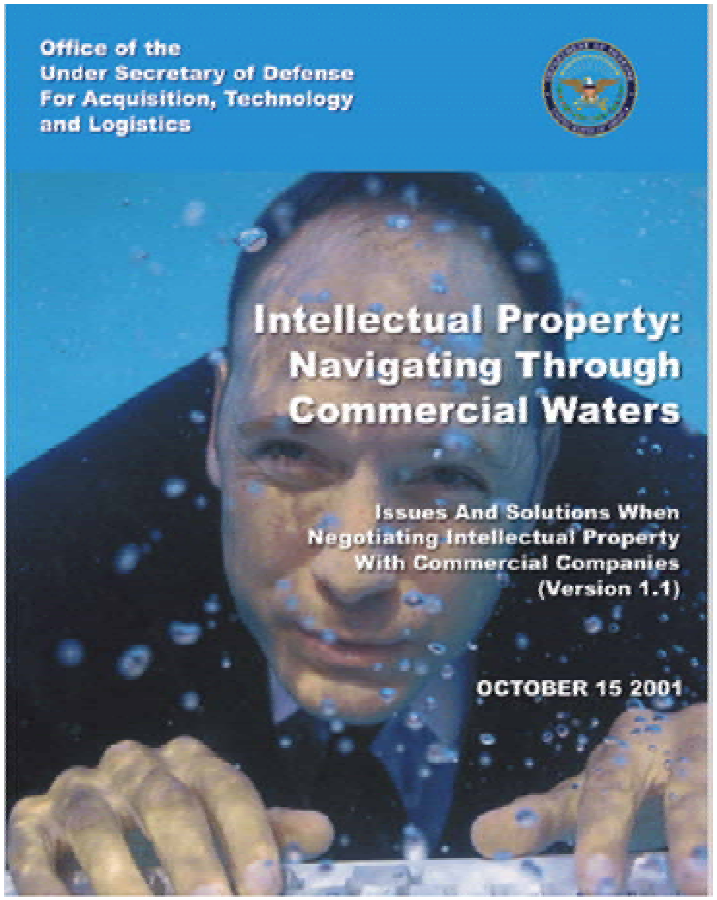
i. Standard Contract **Background - DoD's "IP Guide"**

USD(AT&L) Guidebook:

Navigating Through Commercial Waters: ***Issues and Solutions When Negotiating Intellectual Property With Commercial Companies***

(Ver 1.1, 15 Oct 2001)

See http://www.acq.osd.mil/dpap/specificpolicy/intelprop.pdf



FY 2007 National Defense Authorization Act (NDAA)

§ 802 – *Additional requirements relating to technical data rights*

(a) Acquisition planning for major weapons systems

(b) Presumptions regarding development of major systems

§ 802(a) – Tech Data in Acq Strategies for Sustainment

- **(a) Additional Requirements Relating to Technical Data Rights-** Section 2320 of title 10, United States Code, is amended by adding at the end the following new subsection:

`(e) The Secretary of Defense shall require program managers for major weapon systems and subsystems of major weapon systems to assess the long-term technical data needs of such systems and subsystems and establish corresponding acquisition strategies that provide for technical data rights needed to sustain such systems and subsystems over their life cycle. Such strategies may include the development of maintenance capabilities within the Department of Defense or competition for contracts for sustainment of such systems or subsystems. Assessments and corresponding acquisition strategies developed under this section with respect to a weapon system or subsystem shall—

`(1) be developed before issuance of a contract solicitation for the weapon system or subsystem;

`(2) address the merits of including a priced contract option for the future delivery of technical data that were not acquired upon initial contract award;

`(3) address the potential for changes in the sustainment plan over the life cycle of the weapon system or subsystem; and

`(4) apply to weapon systems and subsystems that are to be supported by performance-based logistics arrangements as well as to weapons systems and subsystems that are to be supported by other sustainment approaches.'.

Section 802(a) of FY07 NDAA

- **THOU SHALT --**
  - assess **the long-term technical data needs for your systems**

  and

  - establish **acquisition strategies to get that data you need for life cycle sustainment**

- **This includes –**
  - **In-house capabilities**

  and

  - **Out-house capabilities – competitive, that is**

Section 802(a) of FY07 NDAA

- **Assessments and corresponding acquisition strategies … shall—**

`(1) be developed before issuance of a contract solicitation **for the weapon system or subsystem;**

`(2) address the merits of including a priced contract option **for the future delivery of technical data …not acquired upon initial contract award;**

`(3) address the potential for changes **in the sustainment plan over the life cycle of the weapon system or subsystem; and**

`(4) apply to weapon systems and subsystems that are to be supported by performance-based logistics arrangements as well as **… by** other **sustainment approaches.'.**

§ 802(b) – Presumptions Regarding Development Funding

- **(b) Modification of Presumption of Development Exclusively at Private Expense- Section 2321(f) of title 10, United States Code, is amended—**

(1) by striking `Expense for Commercial Items Contracts- In' and inserting `Expense- (1) Except as provided in paragraph (2), in'; and

(2) by adding at the end the following new paragraph:

`(2) In the case of a challenge to a use or release restriction that is asserted with respect to technical data of a contractor or subcontractor (whether or not under a contract for commercial items) for a major system or a subsystem or component thereof on the basis that the major system, subsystem or component was developed exclusively at private expense, the challenge to the use or release restriction shall be sustained unless information provided by the contractor or subcontractor demonstrates that the item was developed exclusively at private expense.'.

§ 802(c) – Regulatory Implementation

- (c) Regulations-

Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall revise regulations under section 2320 of title 10, United States Code, to implement subsection (e) of such section (as added by this section), including incorporating policy changes developed under such subsection into Department of Defense Directive 5000.1 and Department of Defense Instruction 5000.2.

§ 802 - DoD Implementation

- DODI 5000.02 (12/08/08) -- Encl. 12, ¶ 9
- DFARS 2006-D055, *Additional requirements relating to technical data rights* → amended (added) DFARS 207.106(s-70); 227.7103-1(f); 227.7203-1(e).
- DFARS 2007-D003, *Modification of presumption of development exclusively at private expense*; not yet published
- USD(AT&L) Memo, Data Management and Technical Data Rights, 19 July 2007

DoDI 5000.02 – Encl. 12, Systems Engineering

9. DATA MANAGEMENT AND TECHNICAL DATA RIGHTS

a. Program Managers for ACAT I and II programs, regardless of planned sustainment approach, shall assess the long-term technical data needs of their systems and reflect that assessment in a Data Management Strategy (DMS). The DMS shall:

(1) Be integrated with other life-cycle sustainment planning and included in the Acquisition Strategy;

(2) Assess the data required to design, manufacture, and sustain the system, as well as to support re-competition for production, sustainment, or upgrades; and

(3) Address the merits of including a priced contract option for the future delivery of technical data and intellectual property rights not acquired upon initial contract award and shall consider the contractor's responsibility to verify any assertion of restricted use and release of data.

b. The DMS shall be approved in the context of the Acquisition Strategy prior to issuing a contract solicitation.

Data and Software Basics

- Policy: Acquire only the MINIMUM
  - Deliverables … AND
  - License Rights . . .

    . . . necessary to meet DoD needs!!!

- Commercial – only the "usual" commercial . . .
  - Deliverables ← except for OMIT, FFF, or mods …
  - License rights ← except as otherwise mutually agreed

- Specify the deliverables (priced [option] CLINS)
  - NO help from clauses → must be generated for EACH K

Data & Software basics

- Govt can not require Contractors to relinquish certain minimum rights . . .
- Early Identification & Assertion of Restrictions
  - Standard DFARS clause for NONcommercial
  - MUST supplement for commercial!!!!
- Definitions are CRITICAL . . . do NOT underestimate
- Specialized "validation" process
- Subcontracting issues . . . same rules . . . ~almost privity

Data Deliverable vs. Data Rights

- Govt MUST specify Delivery Requirements
  - **NO delivery requirements in the clauses**
  - **Well …. *Deferred Ordering* is nice (DFARS 252.227-7027)**

- Specify three aspects for each deliverable (See "Navigating….")
  - Content **(e.g., level of detail or nature of information)**
    - Critical: distinguish human-readable source code from machine-readable object/executable code
  - Recording/storage format **(e.g., image files vs. word processing format)**
  - Delivery/storage medium **(e.g., CD-ROM, or** on-line access**).**

- Defined by
  - **Specification: CDRLs and DIDs**
  - **Performance-based: data/software necessary for …**

License Rights in TD & CS

- "Hybrid" license – covers specific activities
  - Use; modify; reproduce; perform; display; release or disclose; and … access? (Ok, this one is a new entry)
- Rights Determined in THREE primary ways
  - By negotiation – mutual agreement
  - By "default": funding for development; type of deliverable; commercial technology?; data vs. software
  - Commercial Software: use VENDOR's license as baseline
- Doctrine of Segregability (a.k.a. "divide & conquer"):
  - Rights determined at the "lowest practical segregable level"

License Rights in TD & CS

Default by Funding: More funding → more rights

- 100% Govt Funded → Unlimited Rights (UR)
- Mixed Govt-Private → Govt Purpose Rts (GPR)
- 100% Private → Limited Rights (LR) (for all TD)
  Restricted Rights (RR) (for CS)
  - Note: Commercial TD ~LR → Presumption of …Private Expense
- BUT – Doctrine of Segregability!!!

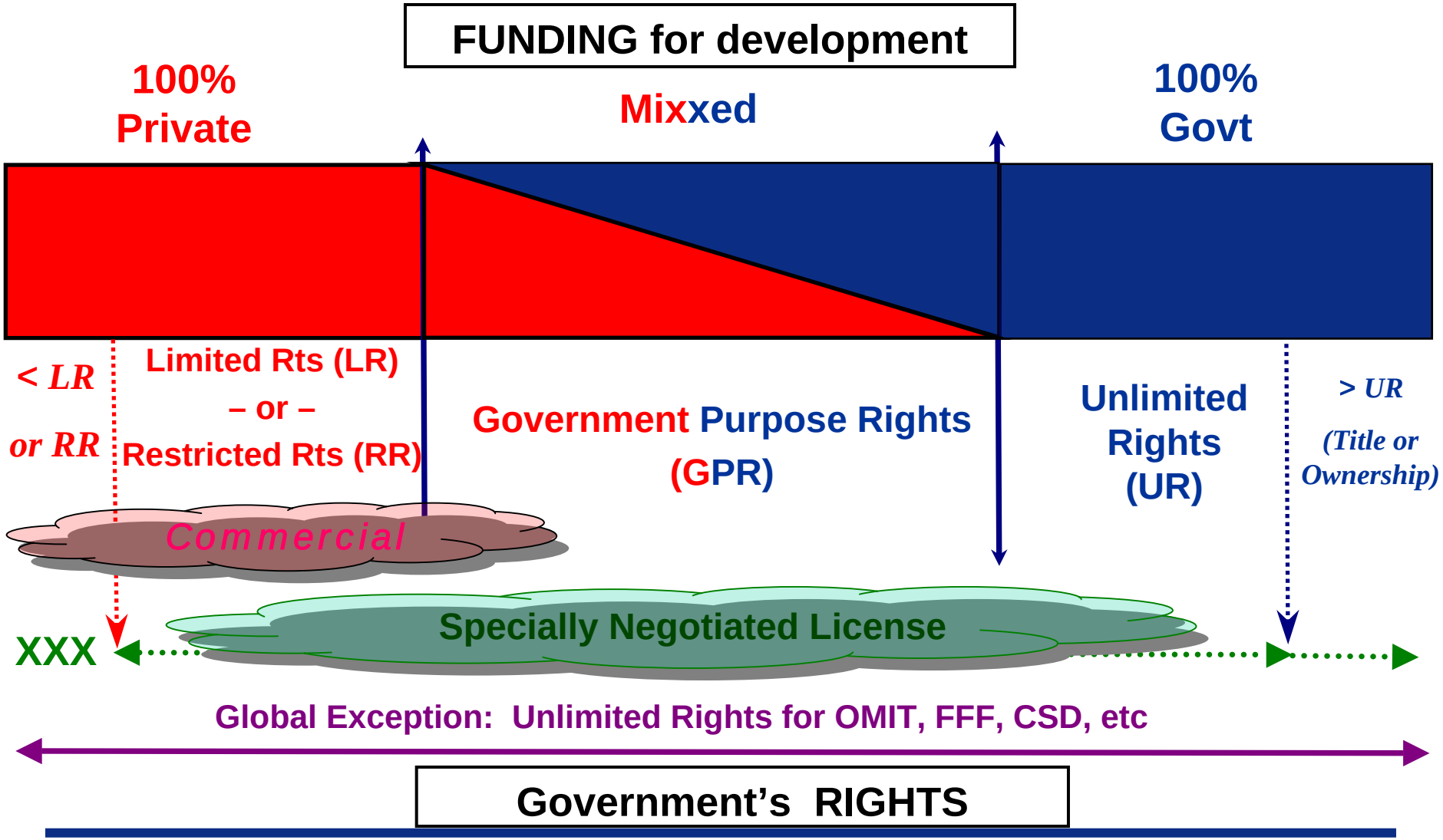
License Rights in TD & CS

Determinations of Funding for "Development"

(DFARS to the rescue? DFARS 252.227-7013(a)(*))

- "Developed"
  - Must (i) exist, and (ii) be tested sufficiently to demonstrate…
  - Slightly different standard for TD, CP, CS, and CSD
- "Developed Exclusively at Private Expense"
- "Developed With Mixed Funding"
- "Developed Exclusively With Government Funds"
- BUT – Doctrine of Segregability!!!

License Rights in TD & CS



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Negotiating for IP and Beyond

- ***Both*** **license rights** ***and*** **deliverables are negotiable!**
- **Policy: minimum to meet Govt needs**
  - **But don't forget Govt also "needs" reasonable Return on Investments**
  - **There is no "free money" in the private model – investors expect return!!**
- **Interest-based negotiations (IBN) techniques**
  - **Position: your default rights (~ also serves as objective criteria and starting point)**
  - **Interest: negotiate up or down to balance parties needs/interests**
  - **Figure out how this makes sense … *for them***
- **For Govt: more is not necessarily better – *ya get what ya pay for … and ya pay for what you get!***
  - **Govt Purpose Rights is usually more than sufficient**
- **The X-Purpose License Model (based on DoD's "Govt Purpose Rights")**
  - **How about … AgencyPR? CommandPR? ProgramPR? DepotMaintPR?**

i. Standard Contract

- Types of rights
  - Limited Rights
  - Government Purpose Rights (DoD)
  - SBIR Rights
  - Unlimited Rights
  - Specially Negotiated License Rights (DoD)

i. Standard Contract

DFARS - Rights in NONcommercial TD & CS

(See the DoD IP Guide -- Navigating …)

Table 2-2. Rights[1] in Noncommercial Computer Software (CS) and Technical Data (TD) Covering Noncommercial Items

Rights Category[2]	Applicable to TD or CS?	Criteria for Applying Rights Category	Permitted Uses within Government	Permitted Uses outside Government[3]
Unlimited Rights (UR)	Both TD and CS	Development exclusively at Government expense;[4] also any deliverable of certain types—regardless of funding.[5]	Unlimited; no restrictions.	
Government Purpose Rights (GPR)	Both TD and CS	Development with mixed funding.[4]	Unlimited; no restrictions.	Only for "Government purposes"; no commercial use.
Limited Rights (LR)	TD only	Development exclusively at private expense.[4]	Unlimited, except may not be used for manufacture	Emergency repair/overhaul; evaluation by foreign government.
Restricted Rights (RR)	CS only	Development[1] exclusively at private expense.[4]	Only one computer at a time; minimum backup copies; modification.	Emergency repair/overhaul; certain service/maintenance contracts.
Prior Government Rights	Both TD and CS	Whenever Government has previously acquired rights in the deliverable TD/CS	Same as under the previous contract.	
Specifically Negotiated License Rights (SNLR)	Both TD and CS	Mutual agreement of the parties; use whenever the standard rights categories do not meet both parties' needs	As negotiated by the parties; however, must not be less than LR in TD, and must not be less than RR in CS.[6]	

Notes:

1. Critical Need to Specify Deliverables. The standard clauses address rights but do *not* include delivery requirements. The contract must explicitly specify the content, format, and delivery medium for all IP deliverables that are necessary to meet DoD's needs. For TD, it is necessary to specify the level of detail and requirements for delivery in preferred electronic/digital formats. For CS, it is critical to specify requirements for both the executable code and the source code.
2. Mandatory Listing Requirements. All TD and CS to be delivered with less than UR *must* be identified in a list attached to the contract. Pre-award listing requirements are specified at DFARS 252.227-7017; post-award requirements are at DFARS 252.227-7013(e) and -7014(e).
3. Release Procedures/Restrictions. All authorized third-party recipients of TD/CS with other than UR must either sign the standard NDA from DFARS 227-7103-7 or receive the TD/CS under a contract containing DFARS 252.227-7025. Additional notice requirements exist for releases of LR data or RR software.
4. Source of Development Funding—at the "Lowest Practicable Level." For TD, the determination is based on the funding for the development of the item, component, or process (ICP) to which that data pertains (vice the development of the technical data itself). For CS, the determination is based on the source of funding for that software. If the ICP or software is developed with mixed funding, the default GPR license may be inequitable if the Government has funded only a small portion of the overall development costs. This imbalance is resolved by determining the source of funding at "lowest practicable level": the deliverable ICP or software is divided into segregable components (e.g., sub-elements of ICPs, or sub-routines of CS), and the funding determination is made for each of the components individually. For TD, see DFARS 227.7103-4(b) and 252.227-7013(a)(6)-(9); for CS, see DFARS 227.7203-4(b) and 252.227-7014(a)(6)-(9).
5. Unlimited Rights—Regardless of Funding Source. Paragraph (b)(1) of the DFARS 252.227-7013 and -7014 clauses establish numerous categories for which the Government is entitled to receive UR, regardless of which party funded the development of the underlying technology. For example, "form, fit, and function" data; or data/software that is publicly available without restrictions. See 10 U.S.C. 2320(a)(2)(C).
6. Minimum Rights. For TD, the minimum rights are established by statute (10 U.S.C. 2320) and are nonnegotiable. For CS, the minimum rights are based solely on the DFARS, for which the parties could seek a deviation in circumstances in which DoD's requirements can be satisfied with less than RR.

i. Standard Contract

- Limited rights:
  - Developed (exclusively) at private expense and include trade secrets
  - Government in-house use only -- limitations on distribution OUTSIDE the Govt (w/o permission)
    - DoD – except emergency repair & overhaul
  - In-house limits too: not used for manufacture of additional quantities
  - Cannot release under FOIA or for competitive bidding purposes

i. Standard Contract (Cont.)

- Government Purpose Rights (DoD only):
  - Government has limitations on distribution outside of government
    - Become unlimited rights at end of five (5) years unless otherwise agree
  - Developed with mixed funding under contract
  - Cannot release under FOIA, but allowed to release for competitive bidding purposes
    - Mainly DoD

i. Standard Contract (Cont.)

- SBIR Rights: Government has limitations on distribution and number of copies for set number of years
  - Developed under SBIR contract expense and include trade secrets
  - Cannot release under FOIA or for competitive bidding purposes for set number of years
  - After term, data becomes unlimited rights

i. Standard Contract (Cont.) -- SBIR Data Rights (Cont.)

- Applies to all Phases – I, II, and III
  - DFARS 252.227-7018
- Applies to ~All~ TD and CS that is developed under the contract
  - … except for certain types → Unlimited Rights due to type
- Government "in-house" use
  - Includes support service contractors
- 5-year Protection Period (i.e., SBIR Data Rights)
  - Can be extended IAW the SBA Policy Directive
  - Unlimited Rights afterward…
- NOT required to include in the pre-award list
  - … unless SBIR data developed under previous contract

i. Standard Contract (Cont.)

- Unlimited Rights:
  - Two Types:
    - (1) Developed at public expense or does not include trade secrets
    - (2) Category-based – regardless of funding
      - OMIT – Operation, Maintenance, Installation, or Training
      - FFF – Form, Fit, and function Data
  - Government has no limitations on distribution and number of copies … or anything!
  - Can release under FOIA or for competitive bidding purposes . . . Or any reason/purpose whatsoever!

i. Standard Contract (Cont.)

- Non-commercial technical data
  - For Non-DOD:
    - FAR 52.227-14
      - Does not allow delivery of Limited Rights data
      - Unlimited rights in data produced in performance of contract
        - Can release to anyone for commercial purposes
        - Not allowed to deliver other data with restrictions FAR 52.227-14(g)
    - Are allowed to deliver limited rights data only if obtain alternate
      - Alternate II: allows limited rights technical data delivery
      - Alternate III: allows restricted rights software delivery
  - Need to know to request the alternates

i. Standard Contract (Cont.)

- Non-commercial
  - DFARS 252.227-7013
    - Allows delivery of limited rights data if
      - Previously identified in proposal/bid
      - Properly marked
      - Maintain records supporting classification in case of data rights challenge (statutory protection under 10 U.S.C. §2321)
    - Allows delivery of Government purpose rights data

i. Standard Contract (Cont.)

- Standard clauses surprisingly flexible for data
  - E.g., DFARS 252.227-7013 & -7014 Allow special licenses to be granted
  - If only stumbling block is data, might consider standard clause with special licensing rights
  - Problem: Finding someone on government side with confidence to act on flexibility

i. Standard Contract (Cont.)

- Negotiating Special Licenses
  - **First – are you sure? Perhaps modify the deliverables?**
  - **Policy: minimum to meet Govt needs**
    - **But don't forget Govt also wants return on investments**
  - **Interest-based negotiations (IBN) techniques**
  - **Government RARELY needs full Unlimited Rights UR**
    - **Govt Purpose Rights is usually sufficient**
  - **Government Purpose Rights as a Model**
    - **How about … DoDPR? NavyPR? AFPR?**

i. Standard Contract (Cont.)

- Example: Unused IP (trade secret)
  - Government not using trade secret information (data), but keeping for spare parts
  - Government wants to leverage data to ensure spare parts supply
  - Contractor wants increased restrictions
- Solution: Use special license provisions
  - Government accepted reduced rights in data so long as contractor agreed to provide parts at predetermined price
  - If failure, Government receives increased rights
  - Government realized large savings by bridging gap

i. Standard Contract (Cont.)

- Commercial technical data
  - FAR Part 12 (12.211)
  - Except as provided by agency-specific statutes…
    - See 10 USC 2320 for DoD (DFARS 227.7102)
  - Government shall acquire only the technical data and the rights in that data customarily provided to the public with a commercial item or process.
  - Presumption that data was developed exclusively at private expense.
  - Must incorporate specific provisions and clauses delineating the rights in the technical data in attachments

i. Standard Contract (Cont.)

- Commercial technical data
  - FAR Part 12 allows delivery using standard commercial terms
    - Only restriction under DFARS is to comply with 10 U.S.C. §2320
  - Especially for non-DoD, want commercial item designation

i. Standard Contract (Cont.) – Commercial Technologies

-- Commercial Technologies and Licenses

a. Generally

b. The FAR Implementation

c. The DFARS Implementation

d. Special Subcontracting Considerations

e. "Open Source" Technologies

i. Standard Contract (Cont.) – Commercial Technologies

- **"Commercial item" defined at FAR 2.101 (41 USC 403(12))**
  - **Read carefully! Lots and lots of factors/prongs**
  - **Pay special attention to the TWO "modification" prongs**

- **"Commercial computer software" defined at FAR 2.101**
  - ***Compare* DFARS 252.227-7014(a)(1)**

- **"Commercially available off-the-shelf item" – DFARS 202.101 (41 USC 431(c)(1))**

- **"Nondevelopmental item" defined at FAR 2.101 (41 USC 403(13))**

- **So, to say "commercial technical data" (CTD) means—**
  - **TD *related to* a commercial item; or**
  - **TD that IS a commercial item.**

i. Standard Contract (Cont.) – Commercial Technologies

a. Generally

- **Statutory Coverage: does it cover commercial TD?**

- **FAR 12.211**
  - **"Except as provided by agency-specific statutes, the Government shall acquire only the technical data and the rights in that data customarily provided to the public with a commercial item or process. The contracting officer shall presume that data delivered under a contract for commercial items was developed exclusively at private expense. When a contract for commercial items requires the delivery of technical data, the contracting officer shall include appropriate provisions and clauses delineating the rights in the technical data in addenda to the solicitation and contract (see Part 27 or agency FAR supplements)."**

- **DFARS 212.211**
  - **"The DoD policy for acquiring technical data for commercial items is at 227.7102."**

i. Standard Contract (Cont.) – Commercial Technologies

b. The FAR Implementation

- **No special coverage at FAR 27.4?**

i. Standard Contract (Cont.) – Commercial Technologies

c. The DFARS Implementation

- **DFARS 227.7102**
  - **Presumption of Devt Exclusively at Private Expense**
  - **Standard commercial deliverables –except**
    - **(1) Are form, fit, or function data;**
    - **(2) Are required for repair or maintenance of commercial items or processes, or for the proper installation, operating, or handling of a commercial item, either as a stand alone unit or as a part of a military system, when such data are not customarily provided to commercial users or the data provided to commercial users is not sufficient for military purposes; or**
    - **(3) Describe the modifications made at Government expense to a commercial item or process in order to meet the requirements of a Government solicitation.**
  - **Rights are specified in the -7015 clause (~Limited Rights)**
  - **NOTE: use the -7013 if Govt pays for ANY portion of devt costs**

i. Standard Contract (Cont.) – Commercial Technologies

d. Special Subcontracting Considerations

- **Recall: a special, [near-]privity relationship w/subs re IP rights**
- **FAR 12.503 (and DFARS 212.503)**
  - **Note: the data statutes NOT listed … so they apply!**
- **FAR 12.504 – Laws [Not] Applicable to … SUBcontracts**
  - **41 USC §§ 253d and 418a**
- **DFARS 212.504 – Laws [Not] Applicable to … SUB-Ks**
  - **10 USC §§ 2320 and 2321**
- **Does this even make sense?**

i. Standard Contract (Cont.) – Commercial Technologies

e. "Open Source" Technologies [p.80]

- **Most commonly – “Open Source Software” (OSS)**
- **Almost certainly = commercial computer software**
- **If not, then . . . Noncommercial w/special license?**

i. Standard Contract

DFARS - Rights in Commercial TD & CS

(See the IP Guide -- Navigating Through Commercial Waters…)

Table 2-3. Rights[1,2] in Commercial Computer Software[3,4] (CS) and Technical Data (TD) Covering Commercial Items[3,4]

Rights Category[5]	Applicable to TD or CS?	Criteria for Applying Rights Category	Permitted Uses within Government	Permitted Uses outside Government
Unlimited Rights (UR)	TD only	Any TD of certain specified types or classes, regardless of commercial status.[6]	Unlimited; no restrictions.	
Standard DFARS "7015" Rights	TD only	Default rights category for all TD covering commercial items except those qualifying for UR as stated above.	Unlimited, except may not be used for manufacture.	Only for emergency repair overhaul.
Standard Commercial License	CS only	Default rights category for all commercial CS.	As specified in the license customarily offered to the public, DoD must negotiate for any specialized needs.	
Specifically Negotiated License Rights (SNLR)	Both TD and CS	Mutual agreement of the parties; should be used whenever the standard rights do not meet both parties' needs.	As negotiated by the parties; however, by statute, the Government cannot accept less than the minimum standard 7015 rights in TD.[7]	

Notes:

1. Critical Impact on IP Delivery Requirements. DoD policy is to acquire, in addition to lesser rights, only those IP deliverables that are customarily offered to the public. In many cases this will be substantially different (e.g., less detailed TD; no source code for CS) than the deliverables DoD typically receives for noncommercial TD or CS. DoD must specifically negotiate for any additional IP deliverables that it requires.
2. Key: Early Identification of Commercial Technologies. Because both the IP deliverables and the license rights are significantly affected when acquiring commercial technologies, it is critical to identify how these issues affect the acquisition strategy early in the acquisition process.
3. Definitions. "Commercial item" is defined at FAR 2.101 (and 52.202-1), and "commercial computer software" is defined in DFARS 252.227-7014(a)(1).
4. Adapting/Modifying Commercial Items. Commercial items may be modified to meet DoD's requirements without losing their commercial status, as long as the adaptations qualify as "minor modifications" or modifications "of a type customarily available in the commercial marketplace." See FAR 2.101(c), and DFARS 252.227-7014(a)(1) and (12).
5. DFARS Rights versus Standard Commercial Licenses. Rights in TD covering commercial items are specified at DFARS 252.227-7015; the default rights are similar to limited rights that apply to noncommercial TD. There is no clause covering commercial CS; DoD takes the rights customarily offered to the public (often a "shrink-wrap" or "click-wrap" license) unless those rights do not meet DoD's minimum needs or violate Federal procurement law. In all cases, a copy of the standard commercial license agreement or any SNLR must be attached to the contract.
6. Unlimited Rights—Regardless of Commercial Status. DFARS 252.227-7015(b)(1) lists numerous categories of TD for which the Government is entitled to receive UR—regardless of the commercial status or source of funding for the technology. For example, "form, fit, and function" data or data/software that is publicly available without restrictions. The categories are based on 10 U.S.C. 2320(a)(2)(C).
7. Minimum Rights. For TD, the minimum rights are established by statute (10 U.S.C. 2320) and are nonnegotiable.

Notes on the FAR Implementation

- Unlimited Rights in (inter alia)—
  - *All data first produced in performance of the contract*
- No express coverage for –
  - Mixed funding
  - Definitions for “developed…”
  - Doctrine of segregability
- Limited Rights Data // Restricted Rights Software
  - Default: withhold, and deliver FFF instead
  - Alternates II and/or III: delivery may be required, and rights as set forth in the LR Notice

Notes on the FAR Implementation

- Limited Rights Data
  - "Limited rights data" **means data, other than computer software, that embody trade secrets or are commercial or financial and confidential or privileged, to the extent that such data pertain to items, components, or processes developed at private expense, including minor modifications.**
    - **(Agencies may, however, adopt the following alternate definition: "Limited rights data" means data (other than computer software) developed at private expense that embody trade secrets or are commercial or financial and confidential or privileged (see 27.404-2(b)).**
  - "Limited rights" **means the rights of the Government in limited rights data, as set forth in a Limited Rights Notice.**
- Restricted [Rights] Computer Software
  - "Restricted computer software" **means computer software developed at private expense and that is a trade secret; is commercial or financial and confidential or privileged; or is copyrighted computer software; including minor modifications of such computer software.**
  - "Restricted rights" **means the rights of the Government in restricted computer software as set forth in a Restricted Rights Notice.**

i. Standard Contract **Data Clauses**

Four main categories of clauses (obligations)

1. **Identification and Assertion of Restrictions**
2. **Primary allocation of rights**
3. **Validation/Challenge of restrictions (markings)**
4. **The Supporting Cast**

i. Standard Contract
Key clauses - Early ID & Assertion of Restrictions

(Mandatory) Listings of TD/CS to be delivered with restrictions

- **FAR 52.227-15 Representation of LR Data or RR Computer Software**
- **DFARS 252.227-xxxx**
  - **-**7017 **Identification of** *NONCOMMERCIAL* **TD & CS to be delivered with restrictions**
    - **ALWAYS!!! --- Required to say "None" if all unlimited**
  - **-**7028 **Listing of TD/CS previously delivered to Govt**
    - **Only if < UR, and "same or substantially identical…"**
- **Incorporated by reference Section K of the RFP**
- **List required as part of the Contractor's proposal – and must be incorporated into the K** ***AS AN ATTACHMENT***

i. Standard Contract
Key clauses – Primary Rights Allocation

- DoD Primary Rights-allocation clauses – DFARS 252.227-xxxx

	TD	CS
Non-Commercial*	-7013	-7014
Commercial	-7015	[attachment!!]

*And non-SBIR

■In most acquisitions, use both the noncommercial and the commercial clauses … you are likely to get a **mix** of both types of technology

■Commercial CS attachment will be either the contractor's standard commercial license or a SPECIALLY NEGOTIATED LICENSE

■~ALL "standard commercial licenses" violate federal procurement law (indemnification, disputes, choice of law, etc.) – consult your attorney!!!

i. Standard Contract
Key Clauses - Validation/Challenge of Restrictions (Markings)

- **Civilian: built into the FAR 52.227-14 clause**

- **DoD: Key clauses and references**
  - **Nonconforming legends: ¶ (h) of the -7013 & -7014 clauses**
  - **Formal validation/challenge: -7019 and -7037**

- Nonconforming Legends
  - **Marking is not one of the permitted forms, content**
  - **Give Kor 60 days to correct … *or we will do it (check the list!)***

- Unjustified Legends **– marking does not accurately characterize the Govt's license *(Note: based on 10 USC 2321)***
  - ***Check the list!!!!! (pre-award from -7017; post-award -7013(e) or -7014(e))***
  - **Prechallenge request for info**
  - **Formal challenge by Contracting Officer's final decision**
    - **Handled like a claim under the disputes clause**

i. Standard Contract Key Clauses - Validation/Challenge of Restrictions (Markings) (Cont.)

- Non-Commercial Tech Data and Software
- In DoD: Only 5 legends are permitted – generally indicates the scope of the Government's license
  1. Copyright Notice from 17 USC 401 or 402
  2. "Government Purpose Rights" – both Tech Data and
  3. "Special License Rights" – both Tech Data and Software
  4. "Limited Rights" – only for Tech Data (incl. software documentation)
  5. "Restricted Rights" -- only for Computer Software
- OK, there are a couple more
  - "SBIR Data Rights"
  - Pre-existing markings
- All other legends are "nonconforming"

i. Standard Contract Key Clauses - Validation/Challenge of Restrictions (Markings) (Cont.)

- Commercial Technologies
  - Tech Data: *A* restrictive legend is required under 252.227-7015(d) but … no specific format
  - Computer Software: no clause, and no specific requirement for a legend – follow standard commercial practices
- No specific legends provided for proprietary information other than data/software (e.g., non-technical info such as financial, commercial, or business information)

i. Standard Contract
Key Clauses -- The Supporting Cast

Rights in TD & CS DFARS 252.227-XXXX (cont'd)

- **-**7016 **Rights in Bid & Proposal info**
- -7025 **Contractor's use of Govt furnished info with restrictive markings**
- **-**7027 **Deferred ordering (optional)**
  - **May be resisted by the contractors**
  - **You can remove it IFF you have clearly specified ALL of the deliverables that you will need: Establish priced OPTIONs if you're not sure**
- -7030 **Withholding of payment**
- -7039 **Reporting of Subject Inventions (only if using the PR clause FAR 52.227-11 for small biz, nonprofits, educational)**

i. Standard Contract
Key elements not covered by the standard clauses

- Delivery Requirements
  - **NO delivery requirements in the clauses. However . . .**
    - **FAR 52.227-16, Additional data requirements**
    - **DFARS 252.227-7027 Deferred Ordering**
  - **Three key aspects for each deliverable requirement**
    - Content **(e.g., level of detail or nature of information)**
      - Critical: distinguish the human-readable source code from machine-readable object/executable code
    - Recording/storage format **(e.g., image files versus word processing format)**
    - Delivery/storage medium **(e.g., paper, CD-ROM, or** on-line access**).**

- Attachments – assertions of rights or special licenses**:**
  - **Assertion of Restrictions (from clause category 1)**
  - **Specially negotiated licenses, or copies of "standard" commercial license agreements (with supplements as needed)**

ii. Assistance Agreements (Grants, Cooperative Agmts, TIAs)

- Special type of contract in which the primary purpose is the Government providing support or stimulation of a public purpose
- **STEP 1: Procurement or Assistance?**
  - 1-A: Primarily to acquire property or services for the Govt then use a PK (15 USC 6303) … but it to assist/stimulate public … purpose
  - 1-B: Level of involvement by the Government?
- **Step 2: Identify Statutory Authority for the Activity**
- **Step 3: Agency-specific requirements**
  - OMB circulars … implemented/expanded by agency (e.g., DoDGARs)

ii. Assistance Agreements (Grants, Cooperative Agmts, TIAs) (Cont)

- No unique statutory requirements – regarding IP rights, that is
- Regulatory Implementation:
  - OMB Circulars (e.g., A-102, A-110)
  - Agency-specific. Example: Department of Defense Grant and Agreement Regulations (DoDGARs) – 32 C.F.R. Parts 21 through 37
- General:
  - Contractor" retains ownership
  - Government receives a license for "federal purposes"
    - Issue: different from DFARS' "government purpose rights"?

ii. Assistance Agreements (Grants, Cooperative Agmts, TIAs) (Cont)

- Special name used for a Cooperative Agreement OR an "Other Transaction" (OT) for Research and Development

- DoDGARS Part 37 – relatively new and, by far, the most comprehensive treatment of IP issues
  - Negotiate rights that balance the parties interests and investments
  - Generally: standard "government purpose" license … which more closely aligns with DFARS definition
  - Important:
    - Restrictive markings
    - Nondisclosure agreements for use by 3rd parties

iii. CRADAs

- Cooperative Research & Development Agreements – 15 USC 3710a
  - NOT simply a cooperative agreement for R&D (see TIAs)
  - No funding flowing from the Government
  - Both sides may provide personnel, services, equipment…

- Not really any specific allocation of rights for copyright or trade secrets, however . . .
  - Government may not disclose trade secret or commercial or financial info received from the collaborator
  - Even Govt-generated info gains “trade secret” type protection if it
    - Would have been treated as such if received from collaborator
    - Generated under “this Chapter” (not necessarily this CRADA!)

iii. CRADA (Cont)

- CRADA statute allows protection of data developed under CRADA
  - Otherwise, no mechanism to prevent release under FOIA
    - Commercial information protected under the Trade Secrets Act 18 U.S.C. §1905, no provision to protect related Government generated information
  - 15 U.S.C. §3710a(c)(7)(A) No trade secrets or commercial or financial information that is privileged or confidential, … which is obtained in the conduct of research or as a result of activities … from a non-Federal party participating in the CRADA shall be disclosed.
- Proprietary information remains confidential

iii. CRADA

- Make explicit in the CRADA
  - LABEL LABEL LABEL!!!!!!
  - Make sure to appropriately mark any information submitted, shared or delivered as part of the CRADA

iv. Other Transactions

- No requirements for amount of technical data rights
- Often look to standard DoD/DFARS rights
  - Most familiar to agreements officer
  - Strong policy backing
- Government most flexible on technical data rights for prototyping
  - Should try to use familiar definitions
    - Government set up to use limited rights, government purpose rights, unlimited rights
    - If getting other types of rights, use term “Special License” or non-familiar term
      - Does you no good to define rights as unlimited rights when have restrictions since will likely result in accidental and improper release
  - Could use to obtain Government purpose rights when Government provides all funding

iv. Other Transactions (Cont.)

- The Granddaddy of them All: 10 USC 2371
- The DoD Scheme -- two types:
  - Research-Type: basic, applied, or advanced R&D (see TIAs)
  - Prototype Projects:
    - Procurement instrument (vice assistance)
    - Technologies directly related to weapons or weapons systems

iv. Other Transactions (Cont.)

- DoD's *"Other Transactions" (OT) Guide for Prototype Projects*
  - Procurement statutes/regs do NOT apply
    - However, general application laws still govern (e.g., infringement)
  - Parties are free to negotiate ANY set of rights that balances the parties interests and investments
    - Encouraged to "start" with the standard provisions and modify as needed
    - Don't throw the baby out with the bathwater
  - Transition to follow-on production Ks – special pilot program under DFARS 212.70

iv. Other Transactions (Cont.)

- Typically, can obtain better than SBIR rights
  - If possible, OTs are better than SBIR under standard procurement
- Allows commercial terms to be used
- Should address following
  - Definition
  - Rights legends
  - What rights conferred
  - Delivery requirements
    - Preferably no delivery for best security

B. Copyrights & Trade Secrets: Software

- Rights in computer software similar to technical data
  - Rights affect software, databases, and accompanying documentation
- Affected by same two factors
  - When developed
  - Money used
    - Requires separate different fund sources
      - Private or IR&D money
      - Government only money
      - Mixed funding (Government & private)

1. Financing as Affects Rights

- **Same as technical data**

2. Pre-Contract Submissions

- Same as technical data

3. Vehicle Dependent

i. Standard FAR/DFARS
- No statutory basis
  - 10 U.S.C. §2320-21 applies only to technical data
- FAR Parts 27 and 52.227-14 through 52.227-23
  - Supplements: X27 and X27.5227
    - DFARS 252.227-7014
- Commercial contracts
  - FAR Part 12 & Supplements
    - DFARS **252.227-7015** provides statutory minimum for technical data (not software)
- Grant & cooperative agreements
  - DODGARS

ii. Assistance Agreements (Grants, Cooperative Agreements, TIAs)

i. Agency-specific: e.g., DoD uses the DoDGARS

iii. CRADA
- 15 USC §3710a

iv. Other transactions
- 10 U.S.C. §2371 (DOD, DHS)
- 42 U.S.C. §2451(c)(5) (NASA)

i. Standard Contract -- software

- Computer Software – or “computer program” in the DFARS is also an <u>operational</u> end-item
  - **It causes a computer to do something**
  - **Not just information related to an end-item**

- Source Code vs. Object/executable code
  - **Source Code: human-readable, for programming**
  - **Object/executable Code: machine-readable, causes computer to perform ops**

i. Standard Contract

- Types of rights
  - Restricted Rights (instead of Limited Rights)
  - Government Purpose Rights (DoD - same as for TD)
  - SBIR Rights (same as TD)
  - Unlimited Rights (same as TD)
- Distinction between Restricted Rights and Limited Rights
  - Restricted rights typically prevent making copies
  - Limited rights typically does not prevent the number of copies
  - Restricted rights reserves right to switch computers and perform software maintenance

i. Standard Contract (cont.)

- Non-commercial computer software
  - For Non-DOD:
    - FAR 52.227-14
      - Does not allow delivery of Restricted Rights software
      - Unlimited rights in software produced in performance of contract
        - Can release to anyone for commercial purposes
        - Not allowed to deliver other software with restrictions, FAR 52.227-14(g)
      - Are allowed to deliver restricted rights data only if obtain alternate
    - FAR 52.227-19:
      - Used for commercial software
      - Allows delivery of restricted rights software

i. Standard Contract (cont.)

- Non-commercial
  - For DoD -- DFARS 252.227-7014
    - Allows delivery of restricted rights software if
      - Previously identified in proposal/bid
      - Properly marked
      - Maintain records supporting classification in case of data rights challenge
    - Allows delivery of Government purpose rights software

i. Standard Contract (cont.)

- Standard clauses surprisingly flexible – same as TD
  - E.g., DFARS 252.227-7014 Allow Special Licenses to be Granted
  - If only stumbling block is software, might consider standard clause with special licensing rights
  - Problem: Finding Someone On Government Side With Confidence to Act on Flexibility
- Commercial Computer Software
  - DFARS 227.7202 – same policy as FAR 12.212
  - NO CONTRACT CLAUSE!!!

i. Standard Contract – commercial computer software

a. Generally

- **Statutory Coverage: there is NONE!!!!**
- **FAR 12.212**
  - **"(a) Commercial computer software or commercial computer software documentation shall be acquired under licenses customarily provided to the public to the extent such licenses are consistent with Federal law and otherwise satisfy the Government's needs. Generally, offerors and contractors shall not be required to --**
  - **"(1) Furnish technical information related to commercial computer software or commercial computer software documentation that is not customarily provided to the public; or**
  - **"(2) Relinquish to, or otherwise provide, the Government rights to use, modify, reproduce, release, perform, display, or disclose commercial computer software or commercial computer software documentation except as mutually agreed to by the parties.**
  - **"(b) With regard to commercial computer software and commercial computer software documentation, the Government shall have only those rights specified in the license contained in any addendum to the contract. For additional guidance regarding the use and negotiation of license agreements for commercial computer software, see 27.405-3."**
- **DFARS 212.212**
  - **"The DoD policy for acquiring technical data for commercial items is at 227.7102."**

i. Standard Contract – commercial computer software

b. The FAR Implementation

- **FAR 27.405-3 Commercial Computer Software**
  - **No specific contract clause prescribed in this subpart need be used, but the contract shall specifically address the Government's rights to use, disclose, modify, distribute, and reproduce the software.**
  - **Section 12.212 sets forth the guidance for the acquisition of commercial computer**
  - **The clause at 52.227-19, Commercial Computer Software License, *may* be used when there is any confusion as to whether the Government's needs are satisfied or whether a customary commercial license is consistent with Federal law.**
  - **Additional or lesser rights may be negotiated using the guidance concerning restricted rights as set forth in 27.404-2(d), or the clause at 52.227-19.**
  - **Be careful when using standard commercial licenses – may have Terms and Conditions that do not meet agency needs or inconsistent w/federal law..**

i. Standard Contract – commercial computer software

c. The DFARS Implementation

- **DFARS 227.7202**
  - **Policy mirrors FAR 12.212**
  - **No specific contract clause prescribed**
  - **Parties may negotiate for mutually acceptable specialized licenses**
  - **Covers Commercial CS Documentation too!!!!**
    - **Wait! Isn't that TD, not CS? Isn't there a statute?**
  - **NOTE: No equivalent to the TD process in which the NONcommercial clause is used if Govt pays for ANY portion of devt costs**

i. Standard Contract (cont.)

- Still need to be aware of what is being included in commercial software license
  - As in commercial licensing, licenses construed against drafter
- Example: Microsoft End User License Agreement

  U.S. GOVERNMENT LICENSE RIGHTS. All Software provided to the U.S. Government pursuant to solicitations issued on or after December 1, 1995 is provided with the commercial license rights and restrictions described elsewhere herein. All Software provided to the U.S. Government pursuant to solicitations issued prior to December 1, 1995 is provided with "Restricted Rights" as provided for in FAR, 48 CFR 52.227-14 (JUNE 1987) or DFAR, 48 CFR 252.227-7013 (OCT 1988), as applicable.
- Problem:
  - 48 CFR 52.227-14: Does not allow delivery of restricted rights software unless is Alternate III
  - 48 CFR 252.227-7013 (OCT 1988) did not allow delivery of restricted rights software and required separate license agreement specifying rights
  - 1995 version changed clause to allow and create DFARS 252.227-7014
- Possible interpretation is that no restrictions placed (highly doubtful)

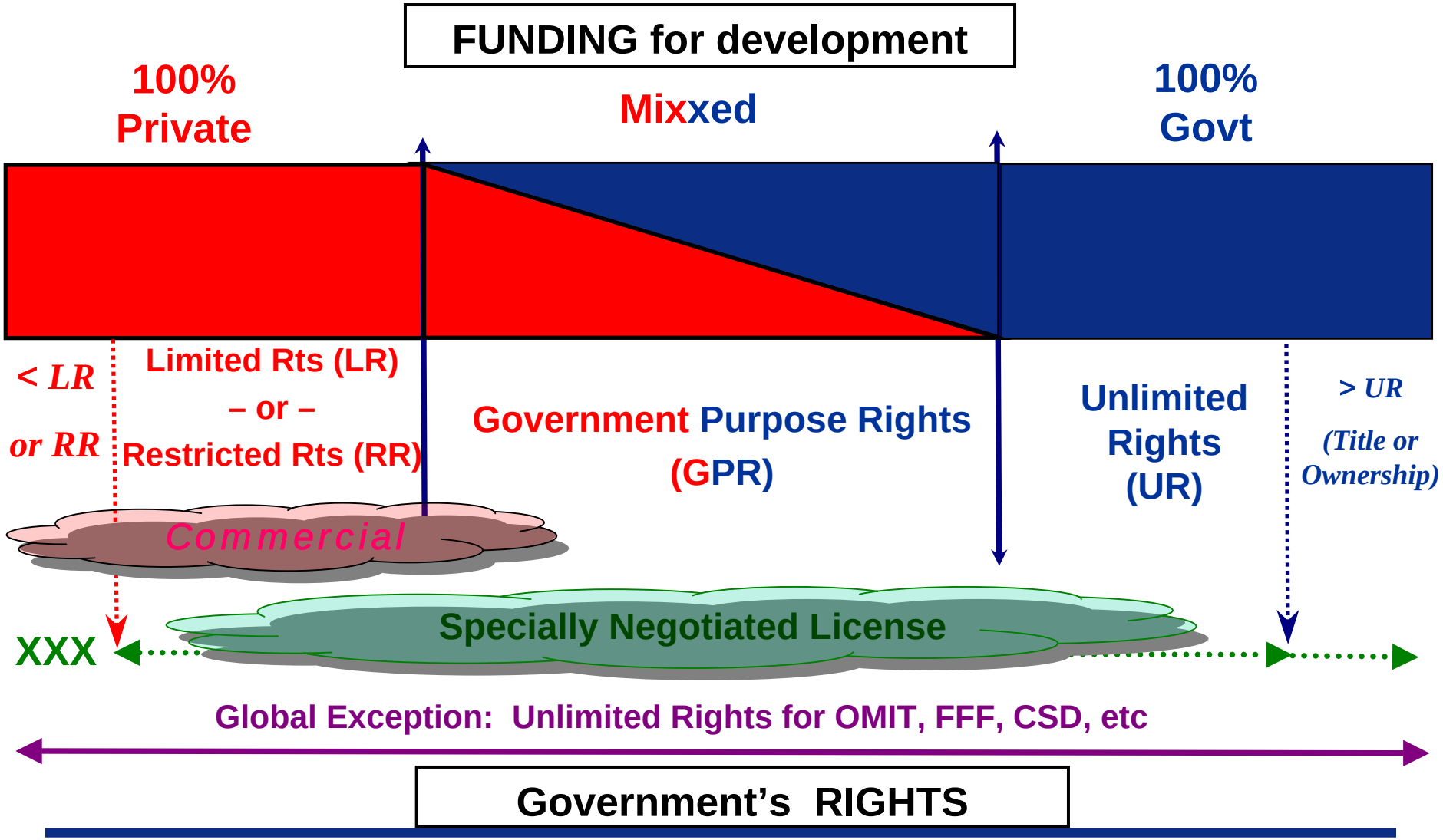
ii. & iii. CRADA & Other Transactions

CRADA & Other Transactions essentially same

Review: Key Aspects of TD & CS

- "Hybrid" license – covers specific activities
  - Use; modify; reproduce; perform; display; release or disclose; and … access? (Ok, this one is a new entry)
- Rights Determined in THREE primary ways
  - By negotiation – mutual agreement
  - By "default": funding for development; type of deliverable; commercial technology?; data vs. software
  - Commercial Software: use VENDOR's license as baseline
- Doctrine of Segregability (a.k.a. "divide & conquer"):
  - Rights determined at the "lowest practical segregable level"

Review: The Eye Chart … Again



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Review: Negotiating for IP and Beyond

- ***Both*** **license rights** ***and*** **deliverables are negotiable!**
- **Policy: minimum to meet Govt needs**
  - **But don't forget Govt also "needs" reasonable Return on Investments**
  - **There is no "free money" in the private model – investors expect return!!**
- **Interest-based negotiations (IBN) techniques**
  - **Position: your default rights (~ also serves as objective criteria and starting point)**
  - **Interest: negotiate up or down to balance parties needs/interests**
  - **Figure out how this makes sense … *for them***
- **For Govt: more is not necessarily better – *ya get what ya pay for … and ya pay for what you get!***
  - **Govt Purpose Rights is usually more than sufficient**
- **The X-Purpose License Model (based on DoD's "Govt Purpose Rights")**
  - **How about … AgencyPR? CommandPR? ProgramPR? DepotMaintPR?**

C. Subcontracting Issues

- Statutory Requirements – reach to subcontractors at any tier
  - Bayh-Dole Act
  - 10 U.S.C. 2320 & 2321
    - EXCEPT: not for subKs for commercial items (DFARS 212.504)
- Early Identification requirement – includes [potential] subcontractors and suppliers
- Clause Flowdown – required for any sub doing relevant work
  - Patent rights clauses (FAR 52.227-11, -12, -13)
  - Rights in Tech Data and Computer Software – NONcommercial
    - DFARS 252.227-7013, and -7014
  - Validation of Asserted Restrictions (-7037 and -7019)
  - EXCEPT: Not for subKs for commercial items
- In general, the prime agrees to provide certain rights … and subcontracting does not relieve this responsibility

C. Subcontracting Issues (Cont.)

- Subcontracting becoming larger part of procurement world
  - Teaming agreements
  - Fewer prime contractors
    - Prime contractors arrange work through subcontractors
    - NASA does for shuttle work
- Are special protections for subcontractors
  - Otherwise, no privity of contracts between subcontractor and Government
  - Would allow prime to obtain IP rights in subcontract

C. Subcontracting Issues (Cont.)
1. Flowdown From Prime

- Patents
  - 35 U.S.C. §200-212 does not reach into sub-contractor level
    - Arguable that could be read in, but not clear majority view
  - FAR 52.227-11 through 52.227-13 require flowdown
    - Prime required to ensure subcontracts for research & development include patent rights clause at any tier
  - Failure to include represents a breach

C. Subcontracting Issues (Cont.)
1. Flowdown From Prime (Cont.)

- Trade secrets and copyrights
  - Arguable can be read into subcontract
    - Not a majority view
  - FAR and DFARS require prime to obtain rights required by the contract
    - FAR 52.227-14: if rights not granted, no subcontract without authorization to deliver restricted rights/limited rights
    - DFARS more generous: 10 U.S.C. §2320 requires primes to flow down protections of clauses for technical data, computer software clause mirrors technical data
  - Failure to include or to obtain promised rights represents a breach

C. Subcontracting Issues (Cont.)
2. Who Receives Rights to Use?

- Patents
  - FAR 52.227-11 through 52.227-13 specifically does not give prime rights in subject invention, only Government
- Trade secrets and copyrights
  - FAR 52.227-14: if rights not granted, no subcontract without authorization to deliver restricted rights/limited rights
    - No statement preventing prime contract from requiring rights
  - DFARS more generous: DFARS 252.227-7013 and 7014 require that
    - Prime gets no rights
    - Prime cannot demand rights by contract

D. Preservation Techniques

- Government will protect IP rights, but contractors need to follow rules
  - Rules are strictly governed
  - Many of the forms are online
    - Legends can be copied from websites
    - Helpful forms available online
- Most important:
  - Need effective monitoring techniques to identify IP and how relates to marketing model
- ***Doctrine of Segregability!!*** *(Divide & conquer)*

D. Preservation Techniques
Data/Software: 4 Keys to Success

- START EARLY! -- Identify and Resolve IP Issues
  - Listing requirement for any/all deliverables < UR
  - Include anticipated commercial technologies (no sandbagging!)

- Ensure Contract addresses Issues Outside Clauses
  - Deliverables (content, format, medium)
  - Commercial Software!
  - Proprietary other than TD/CS

- Focus on Specially Negotiated License
  - “Interest Based” Negotiations
  - Please, please offer something other than Limited Rights or Restricted Rights –

- Markings, Markings, Markings!!!!!!!

D. Preservation Techniques (Cont.)
1. Monitoring Process

- Pre-contract: Patents
  - Need to confirm status of invention in relation to contract
    - In Invention Disclosure Form, determine when conception and first prototype built
    - If conception is prior to contract and easy to construct, build it!
      - Constructive reduction to practice not enough
        - Prototype needs to be workable
      - File application once prototype completed
  - Is “experimental, developmental, or research work” actually being performed?
    - If so, is more flexible arrangement needed (i.e., OT, special license rights)?
    - If not, try and get clause removed as contrary to FAR 27.3
  - Make sure secure proper rights from sub-contractor

D. Preservation Techniques (Cont.)
1. Monitoring Process (Cont.)

- Pre-contract: Trade secrets and copyrights
  - Identify sensitive information in bid or proposal
    - Mark, but do not over mark
  - FAR and DFARS both require pre-notification of delivery of restricted rights software or limited rights technical data
    - Both prohibit delivery without prior notification
    - DFARS has specific form for non-commercial contracts
    - Make sure secure proper rights from sub-contractor
  - Is more flexible IP arrangement needed (i.e., OT, special license rights)
  - Are commercial rights applicable

D. Preservation Techniques (Cont.)
1. Monitoring Process (Cont.)

- Post-contract: Patents
  - Need to confirm status of invention in relation to contract
    - In Invention Disclosure Form, determine when conception and first prototype built
  - Make sure to report according to schedule in Patent Rights Clause
    - DD-882 helpful form
    - Make sure subcontractors reporting
  - Major events
    - Conception
    - Election of title
    - Filing of application
    - Annual report
    - Final report
  - Make sure to include Government Interest statement

D. Preservation Techniques (Cont.)
1. Monitoring Process (Cont.)

- Post-contract: Trade secrets and copyrights
  - Ensure mark anything restricted with proper marking
    - Include in header, initial screen of software, etc.
    - Can correct later, but messy
    - Make sure subcontractors properly mark delivered data and software
  - Keep records to ensure can validate markings
    - Are specific challenge procedures in DFARS

D. Preservation Techniques (Cont.)
2. *Markings and Restrictive Legends*

- The "conspicuous" req't
  - However -- cover page, inside cover, header/footer, storage media or transmittal docs
  - ESPECIALLY tricky with electronic documents
    - Divide up a single document into smaller components
    - Internet as a source … check those copyright notices!
- Ensure Markings are MEANINGFUL
  - "Easy" when it's a defined/regulated mark
  - Harder – commercial/industry practices
  - Multiple markings – most restrictive governs
  - Procedural requirements for release!!!!!
    - Example: DFARS Standard Use & Non-Disclosure Agreement

D. Preservation Techniques (Cont.)

2. *Markings and Restrictive Legends (Cont.)*

Common Ambiguities

- "*Company* Proprietary"
  - Often used as generic "trade secret" mark
  - Any restrictions on use within the Govt?
  - What about our Support Contractors?
  - What about subcontractors … working for *Company* ?
  - Possible solution: ADD information specifying contract/license
- "© *Company* 2003" perhaps with "All rights reserved"
- Unmarked?
  - Unlimited Rights – Noncommercial data/software, and arguably commercial tech data
  - This does NOT necessarily mean "public release"
    - If it's at Technical Document – it SHOULD have a Distribution Statement!!!
  - No markings required for COPYRIGHT protection
  - Markings are a CORE element for Trade Secrets, but not an absolute requirement

D. Preservation Techniques (Cont.)

3. Don't forget to verify the attachments

- **<u>Listings of restricted data/software required by--</u>**
  - **DFARS 252.227-7017 and updated post-award by -7013(e) or -7014(e)**
  - **DFARS 252.227-7028**
  - **Special contract requirement for list of commercial TD or CS, or other proprietary info**
- **<u>License agreements</u>**
  - **"Standard" Commercial Computer Software License (a.k.a. "shrink-wrap" or "click-wrap" license)**
    - **CAREFUL! What happens to provisions that are "inconsistent with federal procurement law"?**
  - **Specially negotiated licenses (under 7013(b)(4); 7014(b)(4); 7015(c), or for commercial software pursuant to 227.7202-3)**

D. Preservation Techniques (Cont.)

4. **Outline from forthcoming book…**

10. Critical Steps in Protecting Data and Data Rights

a. Early Identification and Listing of Asserted Restrictions

b. Apply the Correct Marking Before Delivery

c. Maintain Records for Validation Proceedings

d. Focus on Deliverables, Not Just Rights

e. Ensure That Both Sides Understand the IP Aspects of the Proposal

f. Negotiate for the Best Deal