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

Part Two: Strategies for Preserving and Protecting IP Rights – Trademarks and Subcontractor-Unique Rights

Presented on behalf of
Strafford Publications

Strafford

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- More information on these issues can be found in our forthcoming book, available at http://www.amazon.com/Intellectual-Property-Government-Contracts-Protecting/dp/0195338561/ref=sr_1_1?ie=UTF8&s=books&qid=1234468888&sr=8-1

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Trademarks

- Trademarks protect name of service or product perceived by consumer
  - Mark owner has control over design and quality
- Who owns the mark where Government and Contractor are jointly developing the system?
  - Contractor builds
  - Government designs and uses design with any responsive bidder
  - Ownership should follow quality control.

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Trademarks

- No official policy
  - Government previously immune to trademark liability – but now subject to a comprehensive waiver.
  - Government never considered itself as commercial entity having “marks”
- No standard FAR clause
  - FAR case 1998-018: Explicitly tabled since automatically conferred ownership without regard for who controls quality, based on patent rights, data rights presumptions
- **Nothing spelled out for administrative review**
  - **Not even authority to settle**

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Trademarks

- Little advantage from contractor standpoint (traditionally)
  - Quality control by government important in providing contractor immunity from tort suit using government contractor defense
    - Government contractor defense provides immunity from product defect suits if contractor can show Government made design choices. *Boyle v. United Technologies Corp.*, 487 U.S. 500 (1988)
  - Trademark assertion by contractor could be admission that tort immunity waived
  - Do you really want to say you control quality instead of government?

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Trademarks

- Increased interest in trademarks
  - Strategic advantage since can use to enjoin government in *any* district court
  - Contractors increasingly using commercial sales in addition to Government sales
- May need explicit contract language for development programs
  - Sui generis for each contract where trademark protection needed
    - Other transactions best match for apportioning
- Important to know who is controlling quality and design for each contract
  - Not a problem for commercial items
  - More difficult in non-commercial items, teaming arrangements

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Trademarks

- **Agencies have not usually waited for authority and will review claims**
  - **Would license/cease & desist activity if claim is valid**
  - **No damages authorized to be paid by agency**
    - **Could use Other Transaction authority?**

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Trademarks

- **Issues to be resolved:**
  - **Compensation: no direct mechanism for receiving royalties**
    - **Might try non-traditional contracts to obtain**
      - **CRADA, Other Transactions, TIAs**
    - **Compensation can be in the form of competition, prestige**

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Trademarks

- **Issues to be resolved:**
  - **Sponsorship**
    - **Trademark/Service Mark means ownership of technology**
    - **Licensed mark means Government associated/approved**
      - **Cannot license like patent**
  - **Enforcement**
    - **How do you get at an infringer who is not a contracting party?**
  - **Who can sign for mark?**

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Subcontractor Unique Rights

- 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 necessary? *Yes*.
  - Otherwise, no privity of contracts between subcontractor and Government
  - Would allow prime to obtain IP rights in subcontract

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Subcontractor-Unique Rights

- Flowdown from Prime: Patents
  - 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
  - Prime not beneficiary, but must ensure reporting performed
    - FAR 27.304-4(c) explicitly prohibits a prime contractor from using "their ability to award subcontracts as economic leverage to acquire rights for themselves in inventions resulting from subcontracts."
  - What happens if forget to include?
    - Might be read into subcontract to save prime
      - 35 U.S.C. §202 applies to "funding agreements," which include "any … subcontract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement."
      - *Technical Development Corp. v. United States*, 171 USPQ 353 (Cl. Ct. 1971) - Subcontractor a joint adventurer
    - Arguable that could be read in, but not clear majority view
  - Failure to include represents a breach
    - In general, the prime agrees to provide certain rights … and subcontracting does not relieve this responsibility

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Subcontractor-Unique Rights

- Flowdown from prime: Trade secrets and copyrights
  - Arguably, can be read into subcontract
    - *FN Manufacturing v. United States*, 42 CCF 77,395 (Fed. Cl. Oct. 28, 1998) (relying on minimum rights required under 10 U.S.C. 2320).
    - No clear majority
  - 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
      - Rights in Tech Data and Computer Software – Noncommercial
        - DFARS 252.227-7013, and -7014
      - Validation of Asserted Restrictions
        - 252.227-7037 and -7019
      - EXCEPT: Not for subcontracts for commercial items
    - Prime not beneficiary
  - Failure to include or to obtain promised rights represents a breach
    - In general, the prime agrees to provide certain rights … and subcontracting does not relieve this responsibility

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Subcontractor-Unique Rights

- Who has the right to use subcontractor patents?
  - FAR 52.227-11 through 52.227-13 specifically does not give prime rights in subject invention, only Government
- Who has the right to use subcontractor 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

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About the Speaker

David S. Bloch,

a partner with Winston & Strawn LLP in San Francisco, focuses his practice on complex intellectual property litigation. He has substantial experience in the multimedia, computer software, computer hardware, life sciences and biotechnology, microchip, and consumer product industries, among others. The author of 25 published articles, Mr. Bloch has particular areas of specialization in the use of intellectual property in government contracts, the intersection of intellectual property and antitrust law, and the litigation of design patents.

A biography and publication list are available online at www.winston.com/dbloch

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