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April 15, 2024
Mr. David E. Johnson
1800 F St NW
Washington, DC 20006

Electronic Submission: <https://www.regulations.gov>, DFARS Case 2021-D002

Re: Comment on Defense Federal Acquisition Regulation Supplement (DFARS Case 2021–D002) Use of DoD Program Nomenclature, Federal Register / Vol. 89, No. 32 / Thursday, February 15, 2024

Dear Mr. Johnson,

The National Defense Industrial Association (NDIA) appreciates the opportunity to provide comments on the proposed rule for DFARS Case 2021–D002, Use of DoD Program Nomenclature.

NDIA is the nation’s oldest and largest defense industry association, representing over 1,700 corporate and over 65,500 individual members from small, medium, and large contractors, a majority of which are small businesses. NDIA members design, manufacture, apply, and maintain the cutting-edge technologies, systems, and platforms that our armed forces rely upon to deter aggression and defend our nation and its interests. As such, our members' professional and informed views on this proposed rule reflect the complexity and nuance of the issues under discussion.

In response to the referenced Federal Register Notice (FRN), NDIA offers comments and recommendations on proposed changes to the Defense Federal Acquisition Regulation Supplement (DFARS), namely DFARS Case 2021–D002, Use of DoD Program Nomenclature. In general, while NDIA appreciates the engagement the Department of Defense (DoD) has extended to industry on this proposed rule, we have several concerns about its motivations, whether it will promote any of DoD’s objectives for encouraging negotiations and avoiding disputes, and the costs and uncertainties it poses on industry of all types that wants to conduct business with the Department.

We express each of these concerns in the pages that follow and look forward to continued engagement and opportunities to assist DoD with achieving its desired goals.

I. The proposed rule is not based on any actual problem and results in unnecessary harm.

Though exhaustive in its description of the procedural demands a contractor must follow to avoid losing trademark rights in future contracts with DoD, the proposed rule is remarkably sparse in its description of why such significant regulatory action is necessary. Notably, the rule does not describe any problem to be solved. It only makes a singular reference to avoiding future disputes with no clarity as to the scope, frequency, or likelihood of such disputes. While avoiding disputes is laudable, taking regulatory

action to avoid them risks imposing harms that far exceed their benefit. Such is the case with the proposed rule.

As currently proposed, the rule would increase the costs and burden of DoD contracting for both the Government and industry, create tension with federal trademark law without providing relief, and even implicate constitutional concerns.

Costs will increase due to the burdensome assertions process the Government now intends to extend from a regulation of data rights to a regulation of trademarks. Given the sweeping scope of the assertion requirement to assert all trademarks that are associated with a contract or program, offerors will now incur substantial (and previously unnecessary) bid and proposal costs to inventory the marks associated with a DoD proposal, list them individually in the rule's prescribed form, and gather the supporting information that the rule requires. This is done without any reference to a specific Government interest despite requiring extensive disclosures into the trademark interests of an offeror, unlike any demand offerors have likely experienced thus far in federal or commercial contracting.

The Government can expect offerors to take these requirements seriously given what they now have at stake—namely, a restriction on taking legitimate legal steps to protect their trademarks—and to be fulsome in their disclosures. Extensive proposal submissions about corporate trademark practices will follow, which the Government is ill-equipped to analyze or assess. And what if the Government disputes a contractor's claim to an asserted mark? What is the Government or an offeror to do? The rule makes no mention. Will the Government now require offerors to relinquish those claims without providing offerors with comparable information on the Government's own? All the rule requires from the Government is a listing of words, acronyms, and the like, but no comparable insight into the Government's claims is given. Such one-sided disclosures do not position the parties to avoid disputes, nor are they likely to result in productive negotiations in the intense competitive atmosphere of a federal procurement.

What would be better for the regulation of trademarks and the reconciliation of interests between DoD and its contractors is for DoD to make overt legal claims as to its rights through the federal trademark registration process. The Government has long been empowered to obtain, enforce, and license trademarks, and every military component has an active program for doing so. To the extent the Government intends to protect its legitimate interests in a trademark—whether it be a program name, a logo, or other source identifier qualifying for use in commerce that is either distinctive or acquired secondary meaning—Congress has established forums for doing so. And, to the extent DoD has a conflicting interest with industry, there are also forums for adjudicating and reconciling those interests with comparable requirements for information disclosure.

Trademark disputes are regularly reconciled and adjudicated in these forums, and, on reading the proposed rule, it is not explained why such forums are inadequate in view of the problem DoD intends to solve. Much less is the problem described with any particularity and, so, without more, proposing

meaningful alternatives to avoid the substantial costs of the proposed rule is problematic. NDIA offers some suggestions in the sections that follow but requests continued engagement on this issue to ensure the motivations and underlying assumptions are both cleared and shared across Government and industry.

II. The proposed rule creates tension with trademark law through the broadest of claims and untethered from any “use in commerce.”

Merely naming a program, applying a mission series designator, and referring to either the name, term, or designator in a budgetary, programmatic, or acquisition document does not create any trademark rights. Such use is not “use in commerce” on which a trademark can be based. Yet, that does not prevent the proposed rule from sweeping in such “Government designations” into the list of marks that the Government claims for its own.

Such claims are overbroad. It is inconsistent with the requirements of trademark law to treat any use of a word or symbol on the Government’s list the same—regardless of how unrelated such use may be to the subject of any Government contract or any other Government use. By including the name of an aircraft on a Government list, for example, the Government would seek to claim the exclusive right to “control” the use of such name on goods for which the Government is not the source, as well as completely unrelated goods. This is too much. Only the contractor is the party manufacturing and selling the underlying goods and the party with whom the mark may be most associated in the minds of consumers. It is not the Government, and the Government should not make such claims.

The lack of any underlying recognition of trademark fundamentals in the proposed rule creates much tension and will create conflict with legitimate contractor trademark interests. The statutory basis for obtaining—and maintaining—trademark rights is “use in commerce,” that is, use “in the ordinary course of trade ... not merely to reserve a right in a mark” but (for example, with respect to goods) “to identify and distinguish ... goods ... from those manufactured or sold by others and to indicate the source of the goods.” [Internal Note: 15 U.S. Code § 1127]. A trademark is different from a patent or copyright—trademark rights are not designed to give ownership or control to the first person who comes up with a name, slogan, or design. What gives rise to trademark rights is the use of a mark in commerce – not simply including something on a “Government designations” list. In the case of contractors doing business with Government entities, it will often be the case that the contractor is the party using a mark in commerce, and the contractor is entitled to trademark rights. This is a feature—not a bug—in our trademark system.

No matter how fanciful such a designation might be, trademark rights are commercial rights, and they are created for use in commerce. When the Government meets those requirements such that it has a recognizable legal interest, the Government can register to protect those interests the same as any other public or private sector party. Attempts to recognize trademarks in some other fashion—such as through the procurement regulations—circumvent a system that has been carefully established by Congress.

Those attempts also undermine the legitimate interests of DoD's contractors. As presently drafted, the proposed rule levies no requirement on the Government to deconflict its "Contract-specific designation" list from the pre-existing trademark interests of industry. Rather, it puts the burden on contractors to assert competing or superior claims or risk having their established interests disturbed. This creates no incentive for contractors to invest in trademarks for the goods and services they provide to their DoD customers.

These incentives are important. Not only do they operate to enhance the quality of the goods and services DoD consumes, but they also address other concerns shared by Government and industry alike—namely, establishing a safe and secure supply chain of reputable suppliers on which national security capabilities can be based. Industry protects such investments through trademarks, and to have those trademarks encumbered merely because they might be associated with a DoD contract will discourage those investments in the first place.

It also signals to vendors that their long-established and even uncontested claims to trademarks will not be recognized if the Government includes those marks in a "Contract-specific designation list." And it does all this without any reference to any actual or potential use in commerce by DoD in relation to those designations. As a matter of trademark law, such sweeping government action without checks or clear authority goes too far.

III. To the extent the proposed rule is motivated by potential disputes, it could be improved by adopting an administrative claim process for adjudicating them.

NDIA proposes that, instead of requiring clauses for each and every contract, DFARS 227.7X be revised to provide instructions to the contracting officer on how to identify and resolve potential Government designation disputes and use optional clauses for specific contracts where the contractor and Government reach an agreement on the use of the Government designation. NDIA proposes that the Government model the Government designation instructions based upon the existing patent and copyright disputes process in DFARS 227.70 - INFRINGEMENT CLAIMS, LICENSES, AND ASSIGNMENTS, which provide instructions on patent and copyright policies and contacts within the Government legal offices who need to be involved in dispositioning claims against the Government for patent or copyright infringement.

In the case of Government designations, a similar process could be created and modeled where the contracting officer, when made aware of a potential issue with Government designation, could leverage the expertise of agency legal staff to resolve these issues. DFARS 227.7X would contain references to standard DFARS clauses used for licensing of program designations when used as trademarks and instructions on when to apply for trademarks on the Government designation for specific goods and services important to the program or utilize existing processes at the United States Patent and Trademark Office (USPTO) to cancel or oppose marks. The instructions should also address any other mechanisms to ensure any marks created by contractors for goods procured under the program do not create vendor

lock-in subsequent competitive bidding for the same product. In this way, the Government would follow standard processes used by trademark owners consistent with the Lanham Act, and clauses would only be needed for those specific contracts where Government designation is likely to create a trademark dispute with contractors.

IV. The proposed rule is not limited to Government-chosen designations.

The proposed rule does not distinguish between where the contractor has an existing mark adopted by the Government as a Government designation or a Government-chosen Government designation where the contractor subsequently gains trademark rights. As such, the proposed rule treats both situations the same. However, NDIA suggests that the rule recognize the need for advanced planning and trademark searching prior to adopting a Government designation to address the situation upfront; by way of example, for aerospace vehicles, the Government has a process for new Government designations that requires a trademark search to identify if a contractor already has a trademark in the relevant goods used by the program.¹ This simple trademark clearance process is also a best practice in industry. This practice should be expanded to all Government designations. DFARS 227.7X should be revised to ensure that, when a new Government designation is being used under a contract, the contracting officer confirms that such a search has been conducted by the relevant legal office and that no marks overlap with the contract-specific designation. This new process would remove the potential for Government adoption of a Government designation inadvertently using an existing contractor mark and would eliminate the need for the proposed DFARS 252.227-70XX Identification of Asserted Marks in each and every contract and subcontract.

To the extent that a contractor has a trademark for a product and the Government is concerned about vendor lock created by that trademark, DFARS 227.7X does not provide instructions on resolution. The proposed rule should consider utilizing the existing process in FAR 52.211-6 for brand name and equal procurements. Under this process, the Government can issue solicitations for a product using a trademarked product, and competitors need only show their product is equal to the trademarked product. This process avoids the issue of vendor lock through existing contractor trademarks without the need for the proposed DFARS 252.227-70XX Identification of Asserted Marks being required in each and every contract and subcontract.

V. Applicability and Flow Down to Contracts and Subcontracts for the Acquisition of Commercial Products and Services

The proposed trademark clause and associated “asserted-marks list” requirements would establish significant defense-unique regulatory burdens on the commercial supply chain, as discussed above, even though the risk posed by trademarks associated with commercial products is extremely low, if not

¹ DESIGNATING AND NAMING DEFENSE MILITARY AEROSPACE VEHICLES, DAFI 16-401/AR 70-50/NAVAIRINST 13100.16 (3 NOVEMBER 2020).

nonexistent. In the proposed rule, the DoD included only a conclusory statement that “not applying this provision and clause to contracts for commercial products would exclude contracts intended to be covered by this rule and undermine the overarching purpose of the rule.” However, the Federal Register notice does not state the overarching purpose of the rule or the problem the DoD is seeking to solve. Moreover, the Federal Register notice does not discuss the specific requirements of 10 USC 3452.

In accordance with 10 USC 3452, the DoD is not authorized to apply or flow down a defense-unique contract clause requirement to contracts or subcontracts for the acquisition of commercial products or commercial services unless the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) makes a “written determination” that it would not be in the best interest of the Department of Defense to exempt contracts or subcontracts for the procurement of commercial products and commercial services from the applicability of the provision or contract clause requirement.

In section 874(b) of the FY17 NDAA (Pub. L. 114–328), Congress further restricted the “written determinations” authorized by 10 USC 3452 to minimize the flow down of defense-unique clauses to subcontracts for the acquisition of commercial products. Section 874(b), which is captured in the statutory notes of 10 USC 3452, states the following:

“(1) In general.-To the maximum extent practicable, the Under Secretary of Defense for Acquisition and Sustainment shall ensure that-

“(A) the Defense Federal Acquisition Regulation Supplement does not require the inclusion of contract clauses in contracts for the procurement of commercial items or contracts for the procurement of commercially available off-the-shelf items, unless such clauses are-

“(i) required to implement provisions of law or executive orders applicable to such contracts; or

“(ii) determined to be consistent with standard commercial practice; and

“(B) the flow-down of contract clauses to subcontracts under contracts for the procurement of commercial items or commercially available off-the-shelf items is prohibited unless such flow-down is required to implement provisions of law or executive orders applicable to such subcontracts.”

There is no statutory basis for the new trademark clause, and the proposed trademark clause is inconsistent with standard commercial practice. In the commercial marketplace, there are no requirements to provide “asserted-marks” lists, and buyers do not contractually restrict sellers’ rights to secure trademark protection in sellers’ products. Rather, buyers will obtain their own trademark protection for the assembled products that they make and sell (i.e., “use”) in commerce. Therefore, the proposed applicability and flow-down to contracts and subcontracts for the acquisition of commercial products fails the “test” set forth in

Section 874(b). Therefore, it appears that the proposed rule is not compliant with the requirements of 10 USC 3452.

VI. The Proposed Rule Imposes a Significant Regulatory Burden

The proposed rule would establish a requirement for offerors – and their suppliers known at the time of proposal submittal – to submit an “asserted-marks list” capturing “all trademarks, service marks, collective marks, certification marks, or other marks used as indicators of origin or source, whether registered or not, that the offeror or contractor asserts that it owns or controls...” Such asserted marks might include “corporate names, trade names, logos, acronyms, slogans, insignia, seals, emblems, domain names, website addresses, and hashtags.” Notably, the list must be “accurate at time of offer.” While the proposed “asserted-marks list” requirement is modeled after the DFARS data rights assertion list requirements, the subject matter is specialized and would require the engagement of trademark counsels and paralegals who are not typically engaged in the proposal process.

The “Regulatory Flexibility Act” analysis in the Federal Register notice states that “senior-level staff will most likely possess the skills necessary to prepare the offeror’s asserted-marks list.” We disagree. “Senior-level staff” engaged in the proposal development process do not have the “skills” required to develop and maintain the expansive listing of what must be asserted. The effort would require the specialized skills of trademark attorneys and paralegals, who are generally not engaged in the proposal development process. Lower-tier suppliers – especially small businesses – likely do not employ trademark attorneys and may be required to retain outside counsel assistance to develop and maintain an asserted marks list. The costs and burden to comply with the asserted marks requirements outweigh the perceived benefits to the Government in mandating such an administratively burdensome requirement.

VII. Specific Issues With Proposed Rule.

1. SUBPART 227.7X—CONTRACT-SPECIFIC DESIGNATIONS.

Under the proposed DFARS 227.7X section, the Government is required to provide a contract-specific designation list in each solicitation. The list will include all Government designations, which include marks and other identifiers used by the program that are relevant to the contract. There is no requirement for the Government to substantiate that the government designation was officially adopted, and there is no public mechanism for contractors to consult to ensure they are not adopting marks until the issuance of the proposal. There is also no requirement that, if there is a conflict between the contract-specific designations and a contractor’s mark, the Government will not require the contractor to cancel the contractor’s mark as a condition of award. The new DFARS 227.7X should be revised to ensure that the Government provides contractors advanced notice of official Government designations and that the contractor’s investment in its mark (and the reliance on it by its customers) is protected.

2. Proposal clause DFARS 252.227–70XX, Identification of Asserted Marks

The proposed DFARS 252.227–70XX clause requires the offeror (and all of their suppliers) to list all Asserted Marks, which are registered or unregistered marks “that are associated with a specific contract or program.” The listing will also require information on any associated registration numbers and goods/services in textual form (not simply references to USPTO classification). This is a substantial burden on the contractor and their supply base since it is not expressly limited to any marks reasonably close to the contract-specific designations listed in the proposal. This proposal clause is used in commercial and non-commercial contracts and will result in massive listings of marks that are not relevant to the contract-specific designations or any known Government designations. Therefore, NDIA proposes that to the extent the proposed DFARS 252.227–70XX clause is needed, it should be expressly limited to those marks that are confusingly similar to contract-specific designations.

3. DFARS 252.227–70YY, Contractor Use of Government Designations

The proposed DFARS 252.227–70YY(b)(1) is a contractor acknowledgement that if the Government lists a contract-specific designation in the proposal and the contractor does not also have that designation as an asserted mark on the list required by DFARS 252.227–70YY, the contractor is acknowledging and agreeing that the Government has the “right and authority to use, assert rights in, license, attempt to register, and preclude others, including the Contractor, from” using that contract-specific designation.” The contractor is unable to acknowledge what trademark rights the Government has in a contract-specific designation without conducting its own trademark clearance and performing an analysis that the Government use of the contract-specific designation does not infringe upon any third-party mark, and the Government would appear to be in the best position to make this determination. By this wording, if a third party were to sue the Government for trademark infringement based upon the contract-specific designation, it is unclear if the contractor is implicated in such suit by this acknowledgment and agreement and whether the contractor is effectively warranting that the Government has such rights. As such, DFARS 252.227–70YY(b)(1) should be removed.

The proposed DFARS 252.227–70YY(b)(2) & (3) provides a license to the contract-specific designation solely to perform the contract, and this terminates at the end of the contract. The intent appears to be to grant a trademark license coextensive with the use needed to perform the contract, but the license does not make it clear that the license is for any marks within the contract-specific designation. Moreover, the termination does not account for trademark concepts, such as fair use, and will create issues for contractors who would reuse contract-specific designations in sales to other customers or for advertising which do not infringe upon any trademark rights the Government has in the contract-specific designation. The proposed DFARS 252.227–70YY(b)(2)&(3) should be revised to account for these trademark principles.

The proposed DFARS 252.227–70YY(c) includes a requirement for the contractor to report potential infringement of the contract-specific designation, along with a duty to cooperate with any enforcement by the Government. Unlike FAR 52.227-2, which provides for notice and assistance in patent claims, this requirement for contract-specific designations is not tied to the United States Government defending



the contractor against third-party suits for trademark infringement. Therefore, it is unclear why the contractor should be deputized to police the Government's contract-specific designations when it is not clear that the Government will defend the contractor. This provision should, therefore, be limited to where the Government is defending the contractor against third-party claims of trademark infringement based on the contractor's use of a contract-specific designation.

The proposed DFARS 252.227-70YY(f) includes a requirement that the clause be included in all subcontracts, including subcontracts for commercial products and services at all levels. This requirement is regardless of whether the subcontract is related to any listed contract-specific designation. In order to reduce the burden on the supply chain, NDIA proposes that the instruction be limited only to those subcontracts impacted by a listed contract-specific designation.

NDIA and its membership firmly appreciate the Government's desire to promote a strong, dynamic, and robust small business industrial base. However, we have concerns about certain aspects of these proposed rules. For the reasons alluded to, we respectfully suggest changes in light of the unique challenges faced by companies that operate in the defense sector. NDIA stands ready to assist in revising and updating these proposals and would welcome this collaboration.

NDIA appreciates the opportunity to express our concerns pertaining to this matter. If you have any questions related to these comments, please reach out to Michael Seeds at mseeds@ndia.org.

Sincerely,

National Defense Industrial Association