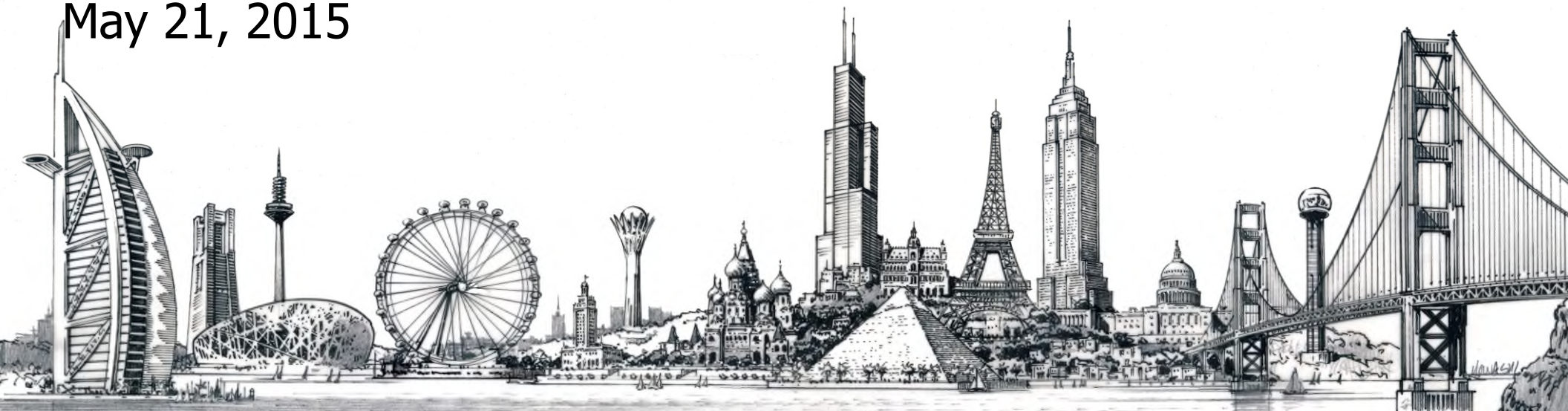


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**GOVERNMENT CONTRACT
RIGHTS IN INTELLECTUAL
PROPERTY**

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May 21, 2015



Agenda

1. Introduction
2. Categories of Government Rights in IP
3. Compliance Concerns
4. IP Rights under Special Statutes/Agreements
Not Covered by the FAR

SECTION 01

INTRODUCTION

Introduction

- Intellectual property rights under government contracts are very different than intellectual property rights under commercial contracts.
- This is because the government, by statute, has sought to balance the government's need for rights in inventions for which it pays or provides support with the public policy need to encourage innovation by private entities.
- The principle authority in this area is the Bayh-Dole Act
 - Applies to federal contracts, grants and cooperative agreements
 - Mandates government rights in subject inventions
 - Permits nonprofit organizations and small businesses to retain title.
 - Except, potentially, when the contractor is not located in the United States or does not have a place of business located in the United States or is subject to the control of a foreign government
- Executive Order 12,591 of April 10, 1987, established a similar model for large businesses - 52 Fed. Reg. 13,414
 - See also FAR Part 27 (extending the Bayh-Dole Model to large business contractors, subject to exceptions)



Introduction

- Objectives of the Bayh-Dole Act include:
 - encourage maximum participation of small business firms in Federally supported research and development efforts;
 - promote collaboration between commercial and nonprofit organizations;
 - ensure that inventions made by nonprofit organizations and small business firms are used in a manner that promotes free competition and enterprise;
 - promote commercialization and public availability of inventions made in the United States by United States industry and labor;
 - ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government
 - protect the public against nonuse or unreasonable use of inventions.



Introduction

- Right to Retain Title Contingent on Performance of Certain Obligations
 - Reporting of inventions to agency
 - Election in writing whether or not to retain title.
 - Filing a patent application if title is elected
- Funding agreement will contain
 - Requirement that the Government receive a royalty-free license to the invention
 - Right of the government to require annual reports on the utilization of the invention
 - Requirement that patent application and patent contain a statement specifying that the invention was made with Government support and that the Government has certain rights in the invention
 - March-in rights
 - Prohibition against granting exclusive license for use or sale in US unless manufacture will be substantially within the United States (provision for waivers)
- In addition, for a nonprofit organization,
 - a prohibition upon the assignment of rights to a subject invention in the United States without the approval of the Federal agency
 - a requirement that, except when infeasible, licensing of subject inventions be given to small business firms



Introduction

- Federal government policies regarding rights in data arise principally out of two separate policy objectives balanced in the regulatory clauses
- Agencies need to acquire or obtain access to data produced during or used in the performance of their contracts, including to
 - obtain competition among suppliers;
 - fulfill responsibilities for disseminating and publishing the results of agency activities
 - ensure appropriate utilization of the results of research, development, and demonstration activities including the dissemination of technical information to foster subsequent technological developments;
- The Government recognizes that contractors have proprietary interests in their data
- Agencies are required to balance the Government's needs against the contractor's legitimate proprietary interests
- Agencies must protect contractor proprietary data from unauthorized use and disclosure

Introduction

- Federal government requirements and policies with regard to both subject inventions and rights in data are implemented through government contract clauses
- Where required to be included in a contract, these clauses may be largely non-negotiable
- For clauses involving acquisitions of supplies or services for the government using appropriated funds, these clauses, as well as others required in government contracts, are set forth in the Federal Acquisition Regulation (“FAR”)
- Within the FAR, IP policies and requirements are set forth in Part 27; and required clauses, in Part 52 subpart 227. In the DOD FAR supplement regulations, IP policies and requirements are set forth in Part 227; and required clauses, in Part 252 subpart 227.

Introduction

- **Different rules apply to contracts with civilian agencies (FAR) versus Department of Defense (DoD) agencies (DFARS)**
- **Different rules apply to acquisition of rights in patents vs. (technical) data**
- **Different rules apply to acquisition of IP rights in commercial items vs. noncommercial items**

SECTION 02

CATEGORIES OF GOVERNMENT RIGHTS IN IP

GOVERNMENT RIGHTS IN PATENTS

FAR Patent Rights Clauses

- 52.227-11 Patent Rights—Ownership by the Contractor
- Required to be included in contracts for [for experimental, developmental, or research work] not placed on behalf of another agency, not DOD DOE or NASA and not an enumerated special case including a contractor located outside the US, without a place of business in US or subject to control of foreign government
- Key Definitions
 - *Subject invention* means any invention of the Contractor made in the performance of work under this contract
 - When used in relation to any invention other than a plant variety, the conception or first actual reduction to practice of the invention
- The Contractor may retain ownership of each subject invention throughout the world if it fulfills specified conditions
- The Government shall have a nonexclusive, nontransferable, irrevocable, paid-up license to practice, or have practiced for or on its behalf, the subject invention throughout the world.

FAR Patent Rights Clauses

- Contractor Obligations
 - The Contractor shall require employees to
 - disclose promptly in writing to personnel identified as responsible for the administration of patent matters each subject invention
 - execute all papers necessary to file patent applications on subject inventions and to establish the Government's rights in the subject inventions.
 - The Contractor shall disclose in writing each subject invention to the Contracting Officer within 2 months after the inventor discloses it in writing to Contractor personnel responsible for patent matters
 - The Contractor shall elect in writing whether or not to retain ownership of any subject invention by notifying the Contracting Officer within 2 years of disclosure to the agency.
 - Shorter period if publication, on sale, or public use has triggered the 1-year statutory period during which valid patent protection can be obtained in the United States
 - The Contractor is required to file a patent application on an elected subject invention within 1 year after election
 - Prior to expiration of statutory period if 1-year period is triggered by publication, on sale, or public use
 - Must include acknowledgement in non provisional patent application
 - “This invention was made with Government support under (identify the contract) awarded by (identify the agency). The Government has certain rights in the invention.”

FAR Patent Rights Clauses

- Contractor Obligations

- Contractor is required to notify the Contracting Officer of decisions negatively impacting patent
 - i.e., decision not to file a nonprovisional patent application, continue the prosecution of a patent application, pay maintenance fees, or defend in a reexamination or opposition proceeding on a patent
- Contractor is required to submit, on request, periodic reports no more frequently than annually on the utilization of a subject invention or on efforts at obtaining utilization of the subject invention that are being made by the Contractor or its licensees or assignees.

FAR Patent Rights Clauses

- Consequences of Failure to Comply
 - Government may request title within 60 days if contractor fails to disclose or elect ownership to the subject invention within the times specified
 - Contractor retains a nonexclusive royalty-free license throughout the world in each subject invention to which the Government obtains title,
 - unless the Contractor fails to disclose the invention within the times specified
 - Contractor's license extends to any domestic subsidiaries and affiliates within its corporate structure
 - Includes right to grant sublicenses to the extent the Contractor was legally obligated to do so at contract award.
 - transferable only with the written approval of the agency, except when transferred to the successor of that part of the Contractor's business to which the invention pertains
 - license may be revoked or modified by the agency to the extent necessary to achieve expeditious practical application of the subject invention in a particular country

FAR Patent Rights Clauses

- Domestic Preference
 - Contractor and assignee prohibited from granting exclusive right to use or sell any subject invention in the United States unless the person agrees that any products embodying the subject invention or produced through the use of the subject invention will be manufactured substantially in the United States.
 - Waiver is available upon a showing
 - that reasonable but unsuccessful efforts have been made to grant licenses to potential licensees that would be likely to manufacture substantially in the United States, or
 - that under the circumstances domestic manufacture is not commercially feasible.

FAR Patent Rights Clauses

- “March-In” Rights
- Government has the right
 - to require the contractor, an assignee or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license
 - in any field of use to a responsible applicant or applicants,
 - upon terms that are reasonable under the circumstances,
 - and if the contractor, assignee, or exclusive licensee refuses such request, to grant such a license itself, if the Federal agency determines that such—
- May only exercise right if
 - contractor or assignee has not taken, or is not expected to take within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use
 - action is necessary to alleviate health or safety needs which are not reasonably satisfied by the contractor, assignee, or their licensees;
 - action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the contractor, assignee, or licensees; or
 - action is necessary because
 - the domestic preference agreement has not been obtained or waived or
 - licensee of the exclusive right to use or sell any subject invention in the United States is in breach of its domestic preference agreement
- Little used if at all

FAR Patent Rights Clauses

- Subcontracts
 - Contractor required to flowdown substance of clause in all subcontracts for experimental, developmental, or research work to be performed by a small business concern or nonprofit organization.
 - Include in all other subcontracts for experimental, developmental, or research work the substance of the patent rights clause specified by FAR Part 27.
 - References to the Government are not changed in flowdown
 - Subcontractor has all rights and obligations of the Contractor
 - Contractor shall not, as part of the consideration for awarding the subcontract, obtain rights in the subcontractor's subject inventions.
- Additional obligations on nonprofits
 - e.g. no assignment without agency consent, provide licensing preference to small business concern if the Contractor determines that SBC has a plan or proposal for marketing the invention which, if executed, is equally as likely to bring the invention to practical application as any plans or proposals from applicants that are not small business concerns

FAR Patent Rights Clauses

- 52.227-13, Patent Rights—Ownership by the Government
 - permitted in enumerated special cases including a contractor located outside the US, without a place of business in US or subject to control of foreign government
 - Contractor is required to assign to the Government title throughout the world to each subject invention
 - Contractor granted a revocable, nonexclusive, paid-up license in each patent application filed in any country on a subject invention and any resulting patent in which the Government obtains title
 - unless the Contractor fails to disclose the subject invention within the times specified
 - Contractor may request greater rights than the nonexclusive license
 - Requires subcontract flowdown
 - Specifies that in the event of a refusal Contractor—
 - shall promptly submit a written notice to the Contracting Officer setting forth the subcontractor's reasons for such refusal; and
 - Shall not proceed with such subcontract without the written authorization of the Contracting Officer

DFARS Patent Rights Clauses

- 252.227-7038 Patent Rights—Ownership by the Contractor (Large Business)
 - Contractor may elect to retain ownership of each subject invention throughout the world
 - Government receives nonexclusive, nontransferable, irrevocable, paid-up license to practice, or have practiced for or on behalf of the United States, the subject invention throughout the world
 - Contractor must disclose, in writing, each subject invention to the Contracting Officer within 2 months after the inventor discloses it in writing to Contractor personnel responsible for patent matters, or within 6 months after the Contractor first becomes aware that a subject invention has been made, whichever is earlier
 - Elect in writing whether or not to retain ownership of any subject invention by notifying the Contracting Officer at the time of disclosure or within 8 months of disclosure [versus 2 years], as to those countries (including the United States) in which the Contractor will retain ownership
 - Establish procedures for employee disclosure to company of subject inventions, including maintenance of laboratory notebooks or equivalent records and other records to document subject inventions and records showing that procedures for identifying and disclosing inventions are followed

DFARS Patent Rights Clauses

- Additional notice and reporting requirements
 - Interim reports every 12 months from the date of the contract, listing subject inventions during that period and stating that all subject inventions have been disclosed or that there are no subject inventions.
 - Final report, within 3 months after completion of the contracted work, listing all subject inventions or stating that there were no subject inventions, and listing all subcontracts at any tier containing a patent rights clause or stating that there were no subcontracts.
 - Notification in writing upon the award of any subcontract at any tier containing a patent rights clause
 - Upon request, specified information regarding for any subject invention for which Contractor has retained ownership
- Background patents: Explicit statement that “nothing contained in this clause shall be deemed to grant to the Government any rights with respect to any invention other than a subject invention”

GOVERNMENT RIGHTS IN DATA

FAR Definitions

- “**Data**” means recorded information (regardless of the form or media on which it may be recorded)
 - Includes technical data (data of a scientific or technical nature) and computer software
 - Does not include information that is incidental to contract administration, such as financial, administrative, cost or pricing, or management information
- “**Form, fit, and function data**” means data relating to items, components, or processes that are sufficient to enable physical and functional interchangeability, and data identifying source, size, configuration, mating and attachment characteristics, functional characteristics, and performance requirements.
 - For computer software, means data identifying source, functional characteristics, and performance requirements but specifically excludes the source code, algorithms, processes, formulas, and flow charts of the software

FAR Definitions (cont'd)

- "***Computer software***" means
 - Computer programs that comprise a series of instructions, rules, routines, or statements, regardless of the media in which recorded, that allow or cause a computer to perform a specific operation or series of operations; and
 - recorded information comprising source code listings, design details, algorithms, processes, flow charts, formulas, and related material that would enable the computer program to be produced, created, or compiled.
 - does not include computer databases or computer software documentation

FAR Definitions (cont'd)

- “***Unlimited rights***” means the rights of the Government to use, disclose, reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly, in any manner and for any purpose, and to have or permit others to do so
- “***Limited rights***” means the rights of the Govt to reproduce and use data with the express limitation that they will not, without written permission of the contractor, be used for purposes of manufacture nor disclosed outside the Govt
 - Applies to 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.

FAR Definitions (cont'd)

- “***Restricted rights***” means the rights of the Govt to use computer software as follows:
 - Use or copy for use with the computer(s) for which it is acquired, including use at any Government installation to which the computer(s) may be transferred;
 - Use or copy for use with a backup computer if any computer for which it is acquired is inoperative;
 - Reproduce for safekeeping (archives) or backup purposes;
 - Modify, adapt, or combine with other computer software, provided that the modified, adapted, or combined portions of the derivative software incorporating any of the restricted computer software is subject to the same restricted rights;
 - Disclose to and reproduce for use by support service contractors or their subcontractors in accordance with restricted rights; and
 - Use or copy for use with a replacement computer.
- Applies to 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 the computer software

Government Rights in Proposal Data

- Generally, government use of proposal data is limited subject to FAR Subparts 15.2 (Solicitation and Receipt of Proposals and Information) & 15.6 (Unsolicited Proposals)
 - Proposals must be safeguarded from unauthorized disclosure throughout source selection process
 - Unsolicited proposal may include data that offeror does not want disclosed to public for any purpose or used by Govt except for evaluation purposes
 - If offeror wishes to restrict data, title page of proposal must be marked with specific legend stating that proposal includes data that “shall not be disclosed outside the Govt and shall not be duplicated, used, or disclosed—in whole or in part—for any purpose other than to evaluate this proposal.”
 - See also, FAR 24.202 (proposals exempt from FOIA until/unless incorporated in contract)

Government Rights in Proposal Data (cont'd)

- But Govt can acquire unlimited rights in proposal data pursuant to through successful contract – FAR § 27.407
 - FAR 52.227-23, Rights to Proposal Data (Technical), allows Govt to acquire unlimited rights to technical data in successful proposals; prospective contractor is afforded opportunity to specifically identify pages containing technical data to be excluded from unlimited rights.
 - Contractor can identify proposal data that it wishes to exclude from grant of unlimited rights, but this is non-dispositive

FAR Data Rights Contract Clauses

- Rights in Data - General (52.227-14)

- Clause is required if it is contemplated that data will be produced, furnished, or acquired under the contract, unless contract is for production of special works, for acquisition of existing data, SBIR, performed outside the U.S., for architect-engineering services or construction work, involves Govt-owned facility for research, development or production work, or is contract involving co-sponsored research in which clause providing for less than unlimited rights has been authorized (see FAR 27.409(b)(1))
- Government has ***unlimited rights*** in-
 - Data first produced in the performance of the contract;
 - Form, fit, and function data delivered under the contract;
 - Data delivered under the contract (except for restricted computer software) that constitute manuals or instructional and training material for installation, operation, or routine maintenance and repair of items, components, or processes delivered or furnished for use under this contract; and
 - All other data delivered under the contract unless provided otherwise for limited rights data or restricted computer software

FAR Data Rights Contract Clauses

- Rights in Data - General (52.227-14) (cont'd)
 - **Data first produced in performance of contract:**
 - Contractor may, without prior Govt approval, assert copyright in scientific and technical articles based on or containing data first produced in performance of contract and published in academic journals or similar works.
 - Prior, express written permission is required to assert copyright in all other data first produced in performance of contract
 - For data other than computer software, Contractor grants to Govt, and others acting on Govt's behalf, a paid-up, nonexclusive, irrevocable, worldwide license to reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly by or on behalf of Govt.
 - Exception: for computer software, license is the same but may not distribute copies to the public
 - Contractor receives right to use, release, distribute and publish data first produced or specifically used in performance of contract (with exceptions)

FAR Data Rights Contract Clauses

- Rights in Data - General (52.227-14) (cont'd)
 - **Data not first produced in performance of contract:**
 - Contractor may not, without prior written permission, incorporate in data delivered under contract any data not first produced in the performance of this contract unless data is identified and contractor grants Govt worldwide, etc. license
 - Contractor may withhold from delivery qualifying *limited rights* data or *restricted* computer software that is not type of data in which Govt gets unlimited rights BUT must identify the data being withheld; and furnish *form, fit, and function* data instead.
 - If contract includes Alt II (limited rights data) or Alt II (restricted rights software), contract or contracting officer by written request may require delivery of limited/restricted rights data **WITH PROPER MARKINGS**
 - Contractor must obtain from subcontractors all data and rights therein necessary to fulfill contractor's obligations to Govt under the contract

FAR Data Rights Contract Clauses

- Representation of Limited Rights Data and Restricted Computer Software (52.227-15)
 - Acknowledges that, under the -14 clause, a Contractor may withhold from delivery data that qualify as limited rights data or restricted computer software unless Alternates II and/or III are used to obtain delivery of limited rights data or restricted computer software, marked with limited rights or restricted rights notices, as appropriate
 - Requires that contractor either
 - Represent that none of the data proposed for fulfilling the data delivery requirements qualifies as limited rights data or restricted rights data, or
 - Identify in writing the data proposed for fulfilling the data delivery requirements that qualifies as limited rights data or restricted rights data

FAR Data Rights Contract Clauses

- Additional Data Requirements (52.227-16)

- Required in contracts involving experimental, developmental, research, or demonstration work (other than basic or applied research to be performed solely by a university or college where the contract amount will be \$500,000 or less) unless all the requirements for data are believed to be known at the time of contracting and specified in the contract.
- May be used in other contracts when considered appropriate.
- Permits the government to require delivery of data first produced or specifically used in the performance of the contract, even if not specified as a deliverable under the contract
- Right exists for 3 years after acceptance of all items to be delivered under the contract
- Does not trump authority under the contract to withhold data as limited rights data
- Does not compel delivery of data which are specifically identified in the contract as not subject to this clause
 - Recommend advance agreement
- Additional compensation only for mechanics of reproduction and delivery

FAR Data Rights Contract Clauses

- Rights in Data - Special Works (52.227-17)
 - Required in contracts primarily for the production or compilation of data (other than limited rights data or restricted computer software) for the Government's internal use, or when there is a specific need to limit distribution and use of the data or to obtain indemnity for liabilities that may arise out of the content, performance, or disclosure of the data (see FAR 27.409(e))
 - Example: contract for the development of computer software program where the program may give a commercial advantage, or is agency mission sensitive and release could prejudice agency... (other examples in FAR 27.405-1)
 - Govt gets unlimited rights in all data delivered under the contract, and in all data first produced in the performance of the contract; the right to limit assertion of copyright in data first produced in the performance of the contract and to obtain assignment of copyright in that data; and the right to limit the release and use of certain data.

FAR Data Rights Contract Clauses

- Rights in Data - Special Works (52.227-17) (cont'd)
 - Contractor gets no right to assert claim to copyright in data first produced in performance of the contract, unless prior written permission is granted; if so asserted, must grant Govt and others acting on its behalf, a paid-up, nonexclusive, irrevocable, worldwide license to reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly, by or on behalf of the Government
 - Contractor shall not, without prior written permission, incorporate in data delivered under this contract copyrighted data not first produced in the performance of this contract, unless the Contractor identifies such data and grants to Government the same license provided for data produced under contract
 - Contractor shall not use, release, reproduce, distribute, or publish data first produced in the performance of contract without written permission
 - Contractor must indemnify Govt liability, for violations of trade secrets, copyright, or right of privacy or publicity, arising out of the creation, delivery, publication or use of any data furnished under the contract

FAR Data Rights Contract Clauses

- Rights in Data - Existing Works (52.227-18)
 - Required in contracts exclusively for the acquisition, without modification, of existing audiovisual and similar works (see FAR 27.409(f))
 - Examples: motion pictures, television recordings, and other audiovisual works; sound recordings; musical, dramatic, and literary works; pantomimes and choreographic works; pictorial, graphic, and sculptural works; and works of a similar nature (FAR 27.405-2)
 - Contractor grants to the Govt, and others acting on its behalf, a paid-up nonexclusive, irrevocable, worldwide license to reproduce, prepare derivative works, and perform publicly and display publicly, by or on behalf of the Govt, for all the material or subject matter called for under the contract, or for which the clause is specifically made applicable
 - Contractor must indemnify Govt from certain liability arising out of the creation, delivery, publication or use of any data furnished under the contract

DFARS Definitions

- “**Technical data**” means recorded information, regardless of the form or method of the recording, of a scientific or technical nature (including computer software documentation). The term does not include computer software or data incidental to contract administration, such as financial and/or management information
- “**Form, fit, and function data**” means technical data that describes the required overall physical, functional, and performance characteristics (along with the qualification requirements, if applicable) of an item, component, or process to the extent necessary to permit identification of physically and functionally interchangeable items.

DFARS Definitions (cont'd)

- “***Developed exclusively at private expense***” means development was accomplished entirely with costs charged to indirect cost pools, costs not allocated to a government contract, or any combination thereof.
- “***Developed exclusively with government funds***” means development was not accomplished exclusively or partially at private expense.
- “***Developed with mixed funding***” means development was accomplished partially with costs charged to indirect cost pools and/or costs not allocated to a government contract, and partially with costs charged directly to a government contract.
- “***Limited rights***” means the rights to use, modify, reproduce, release, perform, display, or disclose technical data, in whole or in part, within the Govt.
- “***Unlimited rights***” means rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.

DFARS Definitions (cont'd)

- “**Government purpose rights**” means the rights to—
 - Use, modify, reproduce, release, perform, display, or disclose technical data within the Govt without restriction; and
 - Release or disclose technical data outside the Govt and authorize persons to whom release or disclosure has been made to use, modify, reproduce, release, perform, display, or disclose that data for U.S. government purposes.
- “**Government purpose**” means any activity in which the United States Government is a party, including cooperative agreements with international or multi-national defense organizations, or sales or transfers by the United States Government to foreign governments or international organizations. Government purposes include competitive procurement, but do not include the rights to use, modify, reproduce, release, perform, display, or disclose technical data for commercial purposes or authorize others to do so.

DFARS Data Rights Clauses

- Rights in Technical Data–Noncommercial Items (252.227-7013)
 - Required when technical data pertaining to noncommercial items, or technical data pertaining to commercial items for which the Govt will have paid for any portion of the development costs, will be delivered (see DFARS 227.7103-6(a))
 - Govt has ***unlimited rights*** in technical data that are:
 - Data pertaining to an item, component, or process which has been or will be developed exclusively with Govt funds;
 - Studies, analyses, test data, or similar data produced for the contract, when the study, analysis, test, or similar work was specified as an element of performance;
 - Created exclusively with Govt funds in performance of contract that does not require the development, manufacture, construction, or production of items, components, or processes;
 - Form, fit, and function data;

DFARS Data Rights Clauses

- Rights in Technical Data–Noncommercial Items (252.227-7013)
 - Govt has ***unlimited rights*** in technical data that are: (cont'd)
 - Necessary for installation, operation, maintenance, or training purposes (other than detailed manufacturing or process data);
 - Corrections or changes to technical data furnished to contractor by Govt;
 - Otherwise publicly available or have been released or disclosed by the Contractor or subcontractor without restrictions on further use, release or disclosure, other than a release or disclosure resulting from the sale, transfer, or other assignment of interest in the technical data to another party or the sale or transfer of some or all of a business entity or its assets to another party;
 - Data in which Govt has obtained unlimited rights under another Govt contract or as a result of negotiations; or
 - Data furnished to Govt with Govt purpose license rights or limited rights and the restrictive condition(s) has/have expired; or contractor's exclusive right to use such data for commercial purposes has expired.

DFARS Data Rights Clauses

- Rights in Technical Data–Noncommercial Items (252.227-7013)
 - Govt has **government purpose rights** for a five-year period (or as negotiated) in technical data that pertain to items, components, or processes developed with mixed funding
 - Govt may not release or disclose technical data in which it has gov't purpose rights unless intended recipient is subject to the non-disclosure agreement (DFARS 227.7103-7) or recipient is Gov't contractor receiving access to data for performance of Gov't contract that contains DFARS 252.227-7025
 - Contractor has exclusive right, including right to license others, to use technical data in which Gov't has obtained government purpose rights under the contract for any commercial purpose during the time period specified
 - Gov't has **limited rights** in technical data pertaining to items, components, or processes developed exclusively at private expense and marked with the limited rights legend
 - Contractor is required to provide Gov't additional rights in technical data furnished with limited rights but if Gov't desires to obtain additional rights, Contractor must promptly enter into negotiations to see if there are acceptable terms

Other DFARS Data Rights Clauses

- Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation (252.227-7014)
 - Required when the contractor will deliver computer software or computer software documentation
- Rights in Special Works (252.227-7020)
 - Required when Govt has a specific need to control the distribution of works first produced, created, or generated in the performance of a contract and required to be delivered under that contract, including controlling distribution by obtaining an assignment of copyright
- Rights in Existing Works (252.227-7021)
 - Required in lieu of 252.227-7013 in contracts exclusively for existing works

Commercial Item IP Rights

- Very different from non-commercial item rights
- FAR does not require a patent rights clause; without clause government receives no non-commercial rights
- FAR Part 12 (applicable to commercial items) states that, with regard to technical data
 - 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
 - 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

Commercial Item IP Rights

- FAR Part 12 states, with regard to commercial computer software and documentation that these data 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, contractors shall not be required to—
 - Furnish technical information related to commercial computer software or commercial computer software documentation that is not customarily provided to the public; or
 - 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.
- 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.

Commercial Item IP Rights

- FAR Part 27.405-3 states that
 - when contracting for the acquisition of commercial computer software (other than from GSA's Multiple Award Schedule contracts), 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
 - 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
- FAR Part 27.405-3 urges the contracting officer to exercise caution in accepting a vendor's terms and conditions, since they may be directed to commercial sales and may not be appropriate for Government contracts and gives precedence mutually agreed upon contract terms, if any, over the contractor's standard commercial agreement

Commercial Item IP Rights

- **52.227-19 Commercial Computer Software License**
- “Notwithstanding any contrary provisions contained in the Contractor's standard commercial license or lease agreement, the Contractor agrees that the Government will have the rights that are set forth in paragraph (b) of this clause to use, duplicate or disclose any commercial computer software delivered under this contract”
- The commercial computer software may be—
 - Used or copied for use with the computer(s) for which it was acquired, including use at any Government installation to which the computer(s) may be transferred;
 - Used or copied for use with a backup computer if any computer for which it was acquired is inoperative;
 - Reproduced for safekeeping (archives) or backup purposes;
 - Modified, adapted, or combined with other computer software, provided that the modified, adapted, or combined portions of the derivative software incorporating any of the delivered, commercial computer software shall be subject to same restrictions set forth in this contract;
 - Disclosed to and reproduced for use by support service Contractors or their subcontractors, subject to the same restrictions set forth in this contract; and
 - Used or copied for use with a replacement computer

Commercial Item IP Rights

- **252.227-7015 Technical data—Commercial items (Feb 2014)**
 - Required in all solicitations and contracts, including solicitations and contracts using FAR part 12 procedures for the acquisition of commercial items, when the Contractor will be required to deliver technical data pertaining to commercial items, components, or processes
 - Government may use, modify, reproduce, release, perform, display, or disclose technical data within the Government only. The Government shall not—
 - Use the technical data to manufacture additional quantities of the commercial items; or
 - Release, perform, display, disclose, or authorize use of the technical data outside the Government without the Contractor's written permission unless a release, disclosure, or permitted use is necessary for emergency repair or overhaul of the commercial items furnished under this contract, or for performance of work by covered Government support contractors.
 - Contractor may require covered Government support contractor to enter into a non-disclosure agreement directly with the Contractor
 - Contractor is not required to provide Government additional rights to use, modify, reproduce, release, perform, display, or disclose technical data.
 - If Government desires to obtain additional rights in technical data, the Contractor agrees to promptly enter into negotiations with the Contracting Officer to determine whether there are acceptable terms for transferring such rights.

SECTION 03

COMPLIANCE CONCERNS

Applicability of FAR/DFARS Clause

- Ensure that the correct patent / data rights clause is in your contract / subcontract
- Review prescriptive language in FAR Part 27 / DFARS Subpart 227
- E.g., FAR 27.303(e) states that 52.227-13, Patent Rights-Ownership by the Govt is applicable, if:
 - (i) The contractor is not located in the U.S. or does not have a place of business located in the U.S. or is subject to the control of a foreign govt;
 - (ii) There are exceptional circumstances and the agency head determines that restriction or elimination of the right to retain title to any subject invention will better promote the policy and objectives of chapter 18 of title 35 of the U.S. Code;
 - (iii) A Govt authority that is authorized by statute or executive order to conduct foreign intelligence or counterintelligence activities, determines that restriction or elimination of the right to retain any subject invention is necessary to protect the security of such activities; or
 - (iv) The contract includes the operation of a Govt-owned, contractor-operated facility of DOE primarily dedicated to that Dept's naval nuclear propulsion or weapons related programs.
- If none of the circumstances above are applicable, FAR 52.227-13 should not be in the contract!

Restrictive Markings

- Mark all limited or restricted rights data delivered to the Govt
- Failure to mark data will result in Govt obtaining unlimited rights
- Failure to use the specified markings may result in Govt receiving data with unlimited rights
 - **THIS IS A BIG DEAL**
 - Govt may cancel or ignore markings pursuant to process set forth in clause
 - Govt may freely disclose, use, or reproduce such data to competitors
- Recommend single point of contact to minimize risk of improperly marked data
- DFARS exception for software if marking interferes with or delays operation of computer software that will or might be used in combat or situations that simulate combat conditions

Restrictive Markings (cont'd)

- FAR: If unmarked data has not yet been disclosed outside the Govt, contractors may request within 6 months after delivery to Govt, and contracting officer may agree to have authorized notices placed on the data at contractor's expense
- Must:
 - identify the data,
 - demonstrate that omission of marking was inadvertent,
 - establish that notice is authorized, and
 - acknowledge that Govt has no liability for disclosure, use, or reproduction of data made prior to addition of notice
- DFARS: Govt may ignore, correct or strike unjustified marking; Govt may ignore, remove or correct nonconforming marking if it notifies Contractor and Contractor does not fix within 60 days

Restrictive Markings (cont'd)

- Clause includes formal process, including notice to and response by contractor, when the contracting officer asserts that data has been marked with an incorrect or unauthorized notice
- Upon a formal determination that markings are incorrect, agency may:
 - permit correction of the notice at contractor expense if contractor identifies the data and demonstrates that correct notice is authorized, or
 - may itself correct an incorrect notice
- DFARS: Govt may ignore, correct or strike unjustified marking; Govt may ignore, remove or correct nonconforming marking if it notifies Contractor and Contractor does not fix within 60 days

Reporting Subject Inventions

- Contractor is required to disclose in writing each subject invention to Govt within specified time period
- Failure to disclose subject invention may lead to withholding of payment under the contract
- Under FAR 52.227-13 and DFARS 252.227-7038, agency given audit rights for three years after final payment of contract to examine contractor's books and records relating to inventions in the same field as the work under the contract to determine if any subject inventions were not disclosed as required

Recordkeeping

- *Patents:* Under FAR 52.227-13, Contractor is required to maintain laboratory notebooks or equivalent records and other records as are reasonably necessary to document the conception and/or the first actual reduction to practice of subject inventions
- *Data:* Contractor must maintain records to justify the validity of any restrictive markings
 - Under FAR, Contracting Officer may require written justification to substantiate propriety of data markings
 - Under DFARS, contractor is required to maintain records sufficient to justify validity of any markings that assert restrictions on the Govt's rights in technical data

SECTION 04

**IP RIGHTS UNDER
SPECIAL STATUTES /
AGREEMENTS NOT
COVERED BY THE FAR**

IP Rights under CRADAs

- CRADAs
 - contracts (agreements) but not FAR-covered contracts for acquisition of supplies or services
 - joint pursuit of common research goals
 - permit Government facilities, intellectual property, and expertise to be available for collaborative interactions to further the development of scientific and technological knowledge into useful, marketable products

IP Rights under CRADAs

- Under CRADA, federal laboratory may
 - accept, retain, and use funds, personnel, services, and property from a collaborating party
 - provide personnel, services, and property [but no money] to a collaborating party
 - use funds received from a collaborating party to hire personnel to carry out the agreement who will not be subject to full-time-equivalent restrictions of the agency

IP Rights under CRADAs

- Laboratory, in deciding what cooperative research and development agreements to enter into shall—
 - give special consideration to small business firms, and consortia involving small business firms; and
 - give preference to business units
 - located in the United States
 - which agree that products embodying inventions made under the cooperative research and development agreement or produced through the use of such inventions will be manufactured substantially in the United States and,
 - For entity subject to the control of a foreign company or government, take into consideration whether or not such foreign government permits United States agencies, organizations, or other persons to enter into cooperative research and development agreements and licensing agreements.

IP Rights under CRADAs

- Government laboratory may grant, or agree to grant in advance, to collaborating party
 - patent licenses or assignments, or options thereto
 - in any invention made in whole or in part by a laboratory employee under the agreement,
 - for reasonable compensation when appropriate.
- Laboratory shall ensure that collaborating party has the option to choose an exclusive license for a pre-negotiated field of use for any such invention under the agreement

IP Rights under CRADAs

- Inventions made in whole or in part by a laboratory employee.
- If Government grants license to collaborating party, Government retains nonexclusive, nontransferable, irrevocable, paid-up license from the collaborating party to the laboratory to practice the invention or have the invention practiced throughout the world by or on behalf of the Government.
- If laboratory assigns title or grants an exclusive license, the Government shall retain the right—
 - to require collaborating party to grant to a responsible applicant a nonexclusive, partially exclusive, or exclusive license to use the invention in the applicant’s licensed field of use, on terms that are reasonable under the circumstances; or
 - if the collaborating party fails to grant such a license, to grant the license itself.
 - But only in exceptional circumstances and only if the Government determines that
 - the action is necessary to meet health or safety needs that are not reasonably satisfied by the collaborating party;
 - the action is necessary to meet requirements for public use specified by Federal regulations, and such requirements are not reasonably satisfied by the collaborating party; or
 - the collaborating party breaches agreement for substantial manufacturing in the US

IP Rights under CRADAs

- CRADA shall ensure that collaborating party
 - may retain title to any invention made solely by the collaborator's employee
 - in exchange granting the Government a nonexclusive, nontransferable, irrevocable, paid-up license to practice the invention or have the invention practiced throughout the world by or on behalf of the Government for research or other Government purposes.

IP Rights under CRADAs

- As implemented at the agency level, the producing party may retain sole ownership of and title to all CRADA Subject Inventions, all copies of CRADA Data, and all CRADA Materials produced solely by its employee (see, e.g., NIH Model CRADA)
- The Parties will own jointly all CRADA Subject Inventions invented jointly and all copies of CRADA Data and all CRADA Materials developed jointly. (see, e.g., NIH Model CRADA)

IP Rights under CRADAs

- Each party may utilize CRADA Data and CRADA Materials internally for their own purposes, consistent with their obligations under the CRADA.
- Each party may share CRADA Data or CRADA Materials with affiliates, agents or contractors provided that obligations relating to confidentiality prior to publication or filing of patent applications are simultaneously conveyed.
- Each party shall disclose to the other only such confidential scientific, business, or financial information necessary to carry out the Research Plan; confidentiality obligations attach

IP Rights under CRADAs

- May expressly protect background patents
 - “nothing in this CRADA will be construed to grant any rights in one Party’s Background Invention(s) to the other Party, except to the extent necessary for the Parties to conduct the research and development activities described in the Research Plan” (see, e.g., NIH Model CRADA)

IP Rights under CRADAs

- Non-disclosure of trade secrets or commercial or financial information that is privileged or confidential under FOIA, which is obtained in the conduct of research or as a result of activities under this chapter from a non-Federal party participating in a cooperative research and development agreement
- Laboratory, for a period of up to 5 years after development of information that would be a trade secret or commercial or financial information that is privileged or confidential if the information were obtained from a non-Federal party participating in a cooperative research and development agreement, may provide appropriate protections against the dissemination of such information

SBIR DATA Rights

- The Small Business Innovation Research (“SBIR”) Program
 - requires that federal agencies with extramural R&D budgets in excess of \$100M
 - reserve (currently) approximately 3% of such budgets for awards to small businesses for R&D
- DOD and HHS are the largest federal agency participants in the SBIR program (>\$1.6B in 2012)

SBIR DATA Rights

- The SBIR program has three phases
 - Phase I awards to determine scientific and technical merit and feasibility of ideas that appear to have commercial potential.
 - Phase II awards to further develop work from Phase I that meets particular program needs and exhibits potential for commercial application.
 - Phase III awards where commercial applications of SBIR-funded R/R&D are funded by non-Federal sources of capital or by non-SBIR federal funding agreements.

SBIR DATA Rights

- Phase III refers to work that derives from, extends, or completes an effort made under prior SBIR funding agreements, but is funded by sources other than the SBIR Program.
- Phase III work is typically oriented towards commercialization of SBIR research or technology.
 - commercial application (including testing and evaluation of products, services or technologies for use in technical or weapons systems) of SBIR-funded R/R&D financed by non-Federal sources of capital
 - SBIR-derived products or services intended for use by the Federal Government, funded by non-SBIR sources of Federal funding
 - continuation of R/R&D that has been competitively selected using peer review or merit-based selection procedures, funded by non-SBIR Federal funding sources.

SBIR DATA Rights

- The competition for SBIR Phase I and Phase II awards satisfies the federal requirement for competition in contracting
 - Agency can sole source Phase III work
- No limit on the time that may elapse between a Phase I or Phase II award and Phase III award, or between a Phase III award and any subsequent Phase III award.
- The small business size limits for Phase I and Phase II awards do not apply to Phase III awards.
- To the greatest extent practicable, agencies and prime contractors shall issue Phase III awards to the SBIR awardee that developed the technology.
 - Notice to SBA prior to making award to non-SBIR entity; SBA appeal

SBIR DATA Rights

- DATA RIGHTS
 - Agencies must refrain from disclosing SBIR technical data outside the government (except reviewers) including to competitors of the SBC, or from using the information to produce future technical procurement specifications that could harm the SBC that discovered and developed the innovation
 - SBIR agencies must protect from disclosure and non-governmental use all SBIR technical data developed from work performed under an SBIR funding agreement for a period of not less than four years from delivery of the last deliverable under that agreement
 - Agencies are released from obligation to protect SBIR data upon expiration of the protection period except that any such data that is protected and referenced under a subsequent SBIR award within or after the expiring protected period must remain protected through the protection period of that subsequent SBIR award
 - (Roll over rights)

SBIR DATA Rights

- DATA RIGHTS

- These data rights clauses are non-negotiable and must not be the subject of negotiations pertaining to an SBIR Phase III award, or diminished or removed during award administration.
- An agency must not, in any way, make issuance of an SBIR Phase III award conditional on data rights.

SBIR DATA Rights

- Marking Rules
- SBA SBIR Policy Statement
 - “These SBIR data are furnished with SBIR rights under Funding Agreement No. ____ (and subcontract No. ____ if appropriate), Awardee Name ____, Address, Expiration Period of SBIR Data Rights _____. The Government may not use, modify, reproduce, release, perform, display, or disclose technical data or computer software marked with this legend for (choose four (4) or five (5) years). After expiration of the (4-or 5-year period), the Government has a royalty-free license to use, and to authorize others to use on its behalf, these data for Government purposes, and is relieved of all disclosure prohibitions and assumes no liability for unauthorized use of these data by third parties, except that any such data that is also protected and referenced under a subsequent SBIR award shall remain protected through the protection period of that subsequent SBIR award. Reproductions of these data or software must include this legend.”

SBIR DATA Rights

- Marking Rules
- FAR SBIR Data Rights Clause (52.227-20)
 - “These SBIR data are furnished with SBIR rights under Contract No. _____ (and subcontract _____, if appropriate). For a period of 4 years, unless extended in accordance with FAR [27.409](#)(h), after acceptance of all items to be delivered under this contract, the Government will use these data for Government purposes only, and they shall not be disclosed outside the Government (including disclosure for procurement purposes) during such period without permission of the Contractor, except that, subject to the foregoing use and disclosure prohibitions, these data may be disclosed for use by support Contractors. After the protection period, the Government has a paid-up license to use, and to authorize others to use on its behalf, these data for Government purposes, but is relieved of all disclosure prohibitions and assumes no liability for unauthorized use of these data by third parties. This notice shall be affixed to any reproductions of these data, in whole or in part.”

SBIR DATA Rights

- Marking Rules
- DOD SBIR Data Rights Clause (252.227-18)
 - Contract No.
 - Contractor Name
 - Address
 - Expiration of SBIR Data Rights Period
 - The Government's rights to use, modify, reproduce, release, perform, display, or disclose technical data or computer software marked with this legend are restricted during the period shown as provided in paragraph (b)(4) of the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause contained in the above identified contract. [limited/restricted rights] No restrictions apply after the expiration date shown above. Any reproduction of technical data, computer software, or portions thereof marked with this legend must also reproduce the markings.
- *SBIR data rights* means a royalty-free license for the Government, including its support service contractors, to use, modify, reproduce, release, perform, display, or disclose technical data or computer software generated and delivered under this contract for any United States Government purpose
- Unlimited rights in SBIR data upon expiration of the SBIR data rights period

Licenses of Federally-Owned IP

- Agency may grant exclusive or partially exclusive license
 - necessary to bring invention to practical application promote the invention's utilization by the public
 - public will be served by granting of license
 - applicant's intentions, plans, and ability to bring the invention to practical application
 - proposed scope of exclusivity is not greater than reasonably necessary to provide the incentive for bringing the invention to practical application
 - applicant makes commitment to achieve practical application within reasonable time
 - granting of license will not substantially lessen competition, and
 - in the case of an invention covered by a foreign patent application or patent, the interests of the Federal Government or United States industry in foreign commerce will be enhanced.
- Agency will normally grant a license to use or sell invention in US only to a licensee who agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in US.

Licenses of Federally-Owned IP

- First preference for license given to small business firms having equal or greater likelihood as other applicants to bring the invention to practical application within a reasonable time.
- License must
 - Retain nontransferrable, irrevocable, paid-up license for any Federal agency to practice the invention or have the invention practiced throughout the world by or on behalf of the Government of the United States;
 - Require periodic reporting on utilization of the invention, and utilization efforts
 - Permit termination under certain circumstances, including when agency determines that—
 - licensee is not executing its commitment to achieve practical application, including commitments contained in any plan submitted in request for a license, and licensee cannot that it has taken, or can be expected to take within a reasonable time, effective steps to achieve practical application of the invention
 - licensee is in breach of an agreement to manufacture substantially in the US
 - Agency required to give public notice of intent to license and opportunity for comment
 - Applicant's submission of plan for development or marketing is key

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