Intellectual Property in Government Contracting

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GOVERNMENT CONTRACT LAWYERS

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- Disputes with Government
- Prime-Sub Disputes
- Intellectual Property
- Bid Protests
- Size and Affiliation Issues
- Joint Venture Agreements
- Mentor-Protégé Agreements
- Labor and Employment Law
- Non-Competes
- Commercial Disputes

Outline

- 101: Introduction to Intellectual Property and Trade Secrets (Richard Raleigh)
- 202: Deeper Dive into Trademarks, Copyrights, and Patents (Christopher Lockwood)
- 303: IP Rights Under Government Contracts (Jerome Gabig)

101: Introduction to Intellectual Property and Trade Secrets

Richard Raleigh

Intellectual Property – The Basics

- Intellectual Property or "IP" refers to contrivances of the mind: inventions, works of literature, artwork, and names and designs used in commerce.
- Commercial or Industrial intellectual property can include inventions (patents), trademarks, designs, formulas, processes, and the like. Copyright material can include literature and artwork but can also include computer software.
- Intellectual Property Law is that body of state, federal, and international law which determines the legal rights resulting from the intellectual activity of individuals and businesses in science, industry, and the arts.
- Intellectual Property includes the content of magazines (copyrights), the style and logo of soft drink bottles (trademarks), and the formulas and methods for making polymeric materials for the space industry (patents).
- Intellectual Property also includes your business's secrets - your confidential client and customer lists, your business strategies, and your advertising plans. These are referred to as "trade secrets."
- Thus, there essentially four main categories of intellectual property: patents, trademarks, copyrights, and trade secrets. There is oftentimes overlap, but each category provides different types of protections, and is used for different types of materials.

Intellectual Property – Basic Overview

- Intellectual Property is NOT an idea
- A general, "non-legal" definition, borrowed from our friend, Attorney George Kobler:
  - "Intellectual" = "Brain"
  - "Property" = "Stuff"
- That is, IP is something concrete, not just an abstract idea.
- "BRAIN STUFF"

Intellectual Property Categories

- Patents
- Trademarks
- Copyrights
- Trade Secrets

Patents

- A patent is a form of intellectual property that applies to "inventions."
- To be patentable, three elements are required of any invention: usefulness (except for design patents), novelty, and non-obviousness.
- Congress and the Patent Office have created requirements for obtaining patent protection. Two of the most important requirements are:
- "Inventorship." Every patent application must list all inventors and only those inventors. Each must make a significant contribution to one or more "claims" of the patent. Corroborating evidence of inventorship can be required - things such as contemporaneously kept lab notebooks or other similar documentation.
- "Subject matter eligibility." For example, utility patents are only for processes, machines, manufactures, compositions of matter, or improvements of any of those categories.
- Patents are issued by the United States Patent and Trademark Office ("USPTO"), and they give the owner the right to exclude others from making, using, selling, or offering to sell the inventions described in the patent. Depending on the type this right lasts for 15-20 years.
- All patent applications must claim new, or "novel," inventions. It is not novel if the invention was "anticipated" by the "prior art." All of this can get quite complicated. Therefore, if you are seeking patent protection for your invention, you should seek legal counsel right away, and do not tell everyone about it before you get protection for the invention.

Patents

- The patent, once applied for and issued, is published by the USPTO.
- There are three types of patents: utility patents, design patents, and plant patents.
- Utility patents cover inventions or discoveries of new and useful processes, machines, or compositions of matter. Utility patents protect the way something is used and works. For example, a new machine.
- Design patents cover the ornamental design for an article of manufacture, and they protect the way the article looks. What is protected with a design patent is only what it looks like, not how it works. Think about the looks of a cell phone case.
- Plant patents are granted for the invention and asexual reproduction of any new and distinct variety of plant. Perhaps a new rose variety.

Trademarks

- A device (mark) used to identify the source of goods or services
- Could be: Word; Design; Sound; Smell; Color; "Trade Dress"
- Viewed from perspective of consumer
- Trademark rights in the United States are tied directly to use in commerce. Ownership of a mark belongs to the first-to-use, not the first-to-file. If a trademark owner stops using a mark without intending to resume using it in the future, the mark is deemed abandoned. Notably, non-use of a trademark for three consecutive years creates a rebuttable presumption of abandonment of the mark. Thus, inherent in trademark law is the principle that someone who is not using a particular trademark should not be able to block productive use of that trademark by another party.

Perhaps Subset of Trademarks - Domain Names

- Domain names are a set of text or numbers that represents an Internet Protocol resource (computer, server, etc.)
- Domain names are registered in the Domain Name System (DNS) via Registrars (e.g., Whois.com)
- Top-level Domains
  - .com
  - .net
  - .org
  - .gov
  - .edu
- Examples: Apple.com, Nike.com, AL.com

Domain Names – Is it IP?

- Maybe – The domain name itself might be a trademark, e.g., "nike.com," "priceline.com," "cocacola.com". Even if a Domain Name is not being used as a trademark, it could still infringe someone's rights in a trademark.
- Protection: Trademark protection or ACPA?
- The Anti-Cybersquatting Consumer Protection Act (ACPA) was enacted in 1999 in an attempt to prevent "cybersquatters" from registering Internet domain names containing trademarks for the purpose of selling those domain name back to the trademark owner.
- Specifically, the ACPA is an addition to the Lanham Act (the primary federal trademark statute in the United States) and allows for a civil cause of action against the bad-faith registration of domain names that are either identical or confusingly similar to (or dilutive of) distinctive or famous marks.
- Anticipatory cybersquatters typically fail to put the domain name in question to use in a meaningful way and simultaneously prevent others from making use of it. But in this way anticipatory cybersquatting is entirely at odds with the public policy behind established trademark law, which is to protect your trademark but if you abandon it, it goes "back into circulation" basically.
- What about "ihatenike.com" or "godaddysucks.com"? Likely not violative of ACPA, and probably not a trademark violation because not "confusingly similar". Also, it is "opinion" and not defamation. The Sixth Circuit Court of Appeals, in *Taubman Co. v. Webfeats*, found that "the domain name is a type of public expression, no different in scope than a billboard or a pulpit, and [the defendant] has a First Amendment right to express his opinion about [the plaintiff], and as long as his speech is not commercially misleading, the Lanham Act cannot be summoned to prevent it." Pejorative domain names are not usually considered by courts to have a likelihood of confusing the consumer. And the courts in *Lucent Technologies, Inc. v. Lucentsucks.com* (E.D. Va.) and *Taubman* established a bright-line rule that domain names with "sucks" and other pejorative suffixes cannot be confusingly similar to the target trademark.

Copyrights

- "Original works of authorship"
  - Text (including source code, content),
  - Sound recordings (music),
  - Visual arts (for example, graphic designs, photographs).
- "Fixed in a tangible medium of expression" – preserved in a way that allows later perception
- Owner may prevent others from copying, distributing, publicly displaying, or creating works derivative of copyrighted work

Trade Secrets

- Information in a formula, process, pattern, compilation, computer software, drawing, device, method, technique, or process
- Not publicly known, or learnable from public sources
- Subject of efforts to keep secret
- Owner derives economic benefit from secrecy of information
- Duration: Forever as long as it remains secret
- "Misappropriated" (i.e., "stolen") through breach of confidential obligation, or theft
- Can be reversed engineered

Trade Secrets

- Trade secrets can be intellectual property of a purely technical nature, such as formulas for chemicals, methods of production, blueprints, drawings, or prototypes; but also includes commercial secrets, such as customer lists, sales methods, overhead rates, profit margins, forms of contracts, strategic plans for advertising, and the like.

- Trade secrets can be any information that derives its economic value from not being generally known or readily ascertainable (formulas, designs, patterns, compilations, programs, devices, methods, techniques, or processes that are not generally known to others in the field or trade or industry).

- "Trade secrets are valuable products of innovative activity; there is a legitimate interest in having the law protect them." Randall Scott Hetrick, Employee "Head Knowledge" and the Alabama Trade Secrets Act, 47 Ala. L. Rev. 513 (Winter 1996).

Trade Secrets as Compared to Other Forms of IP.

- Trade secret rights are different from other forms of intellectual property rights, such as patents, copyrights, and trademarks. The protection of trade secrets flows from the "common law", and dates back to the 1800's.

- Today, every state recognizes some form of trade secret protection, and most states have statutes that specifically provide for the protection of trade secrets. Most of them have trade secret laws that are identical to, or nearly identical to, the Uniform Trade Secrets Act ("UTSA"). This has helped to create a more uniform body of law from state to state.

- Alabama has the Alabama Trade Secrets Act, based on the UTSA.

- While patented, copyrighted and trademarked materials are all protected by federal laws, trade secret protection originates and is primarily maintained through state law. However, fairly recently, Congress passed the Defend Trade Secrets Act ("DTSA"), which provides a cause of action and protections similar to the UTSA.

Trade Secrets vs. Patents, Copyrights, and Trademarks

- A patent confers exclusive rights to prevent others from producing, using, or selling the patented subject matter. However, the patent, once applied for and issued, is published by the U.S. Patent and Trademark Office (USPTO) for the entire world to know. A trade secret is not generally known and is not readily ascertainable. Thus, by definition, nothing in an issued patent can be a "trade secret."
- Copyrightable material (including computer software), can and should be protected both copyright and trade secret. The U.S. Copyright Office permits this dual protection. If you develop a computer program, the program itself may be subject to copyright protection and the programming methods or processes used in the program may be protectable as a trade secret. The Copyright Office will allow you to obtain copyright protection on the code, without requiring you to reveal the underlying methods or processes.
- Trade secrets and trademarks are inherently exclusive of each other. A trademark may be a name, a design, or a symbol. A "trademark" identifies and distinguishes a product. A "service mark" identifies and distinguishes a service. A "trade name" identifies and distinguishes a business. Trademarks and service marks may be protected by properly registering them. Trade names, while protected at common law, cannot be registered under the Lanham Trade-Mark Act, which protects registered trademarks and other intellectual property. While the purpose of a trademark, a service mark, or a trade name is to increase a consumer's recognition of a particular product or company, the purpose of maintaining a trade secrets is to keep the underlying information away from the marketplace.

Protection – Patent or Trade Secret

- At least in some cases, you may have to decide whether you want to protect your intellectual property by patent or by keeping it confidential and protecting it through trade secret law. Your choice will depend on a number of factors; and you must carefully evaluate the possibilities with an attorney experienced in intellectual property law.
- The relevant factors to consider include:

the commercially valuable life of the information or product;

the susceptibility of the information or product to "reverse engineering" or independent discovery;

whether the information or product is sufficiently novel to warrant a patent;

whether the information or product is the proper subject matter for a patent;

whether you can afford the cost of obtaining a patent;

if you are able to afford the costs of enforcing a patent, if one issues; and

whether improvements and modifications may be patentable.

- Patent protection is generally more secure than trade secrets. No matter what anyone subsequently develops, it will not destroy your patent rights. Thus, technological breakthroughs in highly competitive areas probably warrant patent protection. On the other hand, nearly one hundred years ago Coca-Cola decided to keep its soft drink formula a trade secret; and it has profited greatly - if it had patented the formula, anyone could discover the formula and could make Coca-Cola.

Protection of Your Intellectual Property

- Intellectual Property is a valuable business asset

- Registration
- Confidentiality and Non-Disclosure Agreements
- Non-compete agreements
- IP Rights Agreements
- Licenses
- Implement Security Measures
- Lawsuits

- Be aware of your Intellectual Property Rights at the outset
- Consult an expert, hire an auditor
- Keep it under scrutiny and have people sign agreements
- Keep a record of almost everything related
- Protect your IP without delay, by registering, patenting, etc.

202: Deeper Dive into Trademarks, Copyrights, and Patents

Christopher Lockwood

Trademarks

- A trademark is generally a word, phrase, symbol, or design, or a combination thereof, that identifies and distinguishes the source of the goods of one party from those of others.
- Trademark = Brand Name
- Trademarks serve two main functions:
  - Helps consumers distinguish between products when making purchasing decisions
  - Protect the owner's investment and reputation

Trademarks – Use vs. Registration

- Enforceable "common law" trademark rights arise from use of a mark
- These "common law" rights arise automatically, without registration, by virtue of use
- Trademark rights arise from use, NOT registration

Trademarks – Benefits of Registration

Federal registration:

- Gives nationwide notice of your claim of trademark rights
- Discourages others from adopting confusingly similar marks
- Serves as evidence of the validity and exclusive ownership of the mark
- Grants the right to use the Circle R symbol with the mark ®
- Grants the right to sue in federal court for enhanced remedies
- International treaties provide a basis for foreign registration
- Empower the federal government to block the importation of infringing or counterfeit goods

Trademarks – Benefits of Registration

State registration:

- Records and provide notice of trademark rights
- Tends to be faster, less expensive, and less rigorous examination
- Does not require use in interstate commerce
- Does not protect use of the mark in other states
- Does not entitle the owner to use Circle R ®.
  - But: Anyone can still use "TM"

The Application Process

- Search for conflicts
- Determine the filing basis (actual use vs. intent to use)
- Submit the application
- Wait… then wait some more …
- Office Actions
- Publication
- Opposition
- Notice of Allowance (for ITU applications)
- Statement of Use (for ITU applications)
- Registration
- Maintenance

Common Registration Issues

- Genericness
- Descriptiveness
- Use in commerce
- Confusingly similar marks
- Specimens
- Maintenance

Copyrights

- Article I, Section 8, Clause 8, of the United States Constitution grants Congress the enumerated power "To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.“
- Copyright = Authorship
- Copyright is a form of protection provided by the laws of the United States for original works of authorship, including literary, dramatic, musical, architectural, cartographic, choreographic, pantomimic, pictorial, graphic, sculptural, and audiovisual creations.
- “Copyright” literally means the right to copy.

What are the rights of a Copyright owner?

Copyright provides the owner of copyright with the exclusive right toz;

- Reproduce the work in copies or phonorecords
- Prepare derivative works based upon the work
- Distribute copies or phonorecords of the work to the public by sale or other transfer of ownership or by rental, lease, or lending
- Perform the work publicly if it is a literary, musical, dramatic, or choreographic work; a pantomime; or a motion picture or other audiovisual work
- Display the work publicly if it is a literary, musical, dramatic, or choreographic work; a pantomime; or a pictorial, graphic, or sculptural work. This right also applies to the individual images of a motion picture or other audiovisual work.
- Perform the work publicly by means of a digital audio transmission if the work is a sound recording

Copyright also provides the owner of copyright the right to authorize others to exercise these exclusive rights, subject to certain statutory limitations.

What is NOT protected by Copyright?

Copyright does not protect:

- Ideas, procedures, methods, systems, processes, concepts, principles, or discoveries
- Works that are not fixed in a tangible form (such as a choreographic work that has not been notated or recorded or an improvisational speech that has not been written down)
- Titles, names, short phrases, and slogans
- Familiar symbols or designs
- Mere variations of typographic ornamentation, lettering, or coloring
- Mere listings of ingredients or contents

Who can claim copyright?

- The copyright in a work initially belongs to the author(s) who created that work.
- When two or more authors create a single work with the intent of merging their contributions into inseparable or interdependent parts of a unitary whole, the authors are considered joint authors and have an indivisible interest in the work as a whole.
- By contrast, if multiple authors contribute to a collective work, each author's individual contribution is separate and distinct from the copyright ownership in the collective work as a whole.

"Works made for hire"

- When a work is made for hire, the author is not the individual who actually created the work. Instead, the party that hired the individual is considered the author and the copyright owner of the work.

- There are two situations in which a work may be made for hire:
  - When the work is created by an employee as part of the employee's regular duties, or
  - When an individual and the hiring party enter into an express written agreement that the work is to be considered a "work made for hire" and the work is specially ordered or commissioned for use as: A compilation, a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, an instructional text, a test answer material for a test, or an atlas.

- Mere ownership of a copy or phonorecord that embodies a work does not give the owner of that copy or phonorecord the ownership of the copyright in the work.

How long does a Copyright last?

- In general, for works created on or after January 1, 1978, the term of copyright is the life of the
- author plus seventy years after the author's death.
- If the work is a joint work with multiple authors, the term lasts for seventy years after the last surviving author's death.
- For works made for hire and anonymous or pseudonymous works, the duration of copyright is 95 years from publication or 120 years from creation, whichever is shorter.

How can I protect my work?

- Copyright exists automatically in an original work of authorship once it is fixed in a tangible medium.
- But a copyright owner can take steps to enhance the protections of copyright, the most important of which is registering the work.
- Although registering a work is not mandatory, for U.S. works, registration (or refusal) is necessary to enforce the exclusive rights of copyright through litigation.
- Applying a copyright notice to a work has not been required since March 1, 1989, but may still
- provide practical and legal benefits.
- Notice typically consists of the copyright symbol or the word "Copyright," the name of the copyright owner, and the year of first publication.
- Placing a copyright notice on a work is not a substitute for registration.

What are the benefits of registration?

- Registration establishes a claim to copyright with the Copyright Office.
- An application for copyright registration can be filed by the author or owner of an exclusive right in a work, the owner of all exclusive rights, or an agent on behalf of an author or owner.
- An application contains three essential elements: a completed application form, a nonrefundable filing fee, and a nonreturnable deposit— that is, a copy or copies of the work being registered and "deposited" with the Copyright Office.
- A certificate of registration creates a public record of key facts relating to the authorship and ownership of the claimed work, including the title of the work, the author of the work, the name and address of the claimant or copyright owner, the year of creation, and information about whether the work is published, has been previously registered, or includes preexisting material.

What are the benefits of registration?

- Before an infringement suit may be filed in court, registration (or refusal) is necessary for U.S. works.
- Registration establishes prima facie evidence of the validity of the copyright and facts stated in the certificate when registration is made before or within five years of publication.
- When registration is made prior to infringement or within three months after publication of a work, a copyright owner is eligible for statutory damages, attorneys' fees, and costs.
- Registration permits a copyright owner to establish a record with the U.S. Customs and Border Protection for protection against the importation of infringing copies.
- Registration can be made at any time within the life of the copyright. If you register before publication, you do not have to re-register when the work is published, although you can register the published edition, if desired.

What is “mandatory deposit”?

- All copyrighted works that are published in the United States are subject to the “mandatory deposit” provision of the copyright law.
- As a general rule, this provision requires that two complete copies of the “best edition” of a copyrightable work published in the United States be sent to the Copyright Office for the collections of the Library of Congress within three months of publication.
- The “best edition” of a work is “the edition, published in the United States at any time before the date of deposit, that the Library of Congress determines to be most suitable for its purposes.”
- The owner of copyright or of the exclusive right of publication may comply with this requirement either by submitting the best edition of the work when registering the work with the Office or by submitting the work without seeking a registration and solely for the purpose of fulfilling the mandatory deposit requirement.
- The mandatory deposit provision helps ensure that the Library of Congress obtains copies of every copyrightable work published in the United States for its collections or for exchange
- with or transfer to any other library.

Patents

- Comes from the same constitution section as copyrights.
- A patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office.
- Generally, the term of a new patent is 20 years from the date on which the application for the patent was filed in the United States.
- "The right to exclude others from making, using, offering for sale, or selling" the invention in the United States or "importing" the invention into the United States.

3 Types of Patents

- **Utility patents** may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof;
  - Example: The Incandescent Light Bulb (1880)
- **Design patents** may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture; and
  - Example: The Coca-Cola Bottle (1915)
- **Plant patents** may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.
  - Example: The Honeycrisp Apple (1988)

Patent Policy

- The principle behind the modern patent is that an inventor is allowed a limited amount of time to exclude others from supplying or using an invention in order to encourage inventive activity by preventing immediate imitation.

- In return, the inventor is required to make the description and implementation of the invention public rather than keeping it secret, allowing others to build more easily on the knowledge contained in the invention.

The Choice: To Patent or Trade Secret?

- Patent
  - Must be "patentable"
  - Costly to obtain.
  - Must disclose the invention to the world so that others can eventually copy it.
  - Eventually the protection expires and the invention becomes "public domain."
- Trade Secret
  - Does not need to be "patentable."
  - Cheap. Just keep it a secret.
  - Can last forever, so long as the information remains secret.
  - Only protected against "misappropriation" (e.g. breach of confidentiality agreement or discovery by other improper means, such as espionage/hacking)
  - Does not prohibit reverse engineering.

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  - Does not prohibit reverse engineering.

The Choice: To Patent or Trade Secret?

- Is it patentable?
- Is the useful life more than 20 years?
- How easily can the invention be reverse-engineered?

Design Patent vs. Trade Dress

- Design Patents and Trade Dress are closely related
  - Both protect the appearance of an article.
  - Both must be non-functional.
- Trade Dress is protected under trademark law if the dress meets the requirements of a trademark.
- Trade Dress protection can last forever. Design Patents only last 15 years.
- Unlike Patent vs. Trade Secret, they are not mutually exclusive but complementary. Can exist simultaneously.

Is the invention patentable?

- Permissible subject matter (processes, machines, articles of manufacture, and compositions of matter)
- New (not already known to the public or in a previous patent application)
- Non-Obvious (not a mere combination of items known in the "prior art")
- Useful (for a utility patent) or ornamental (for a design patent)

Is my app or software patentable?

- Maybe. Lack of clear guidance: *Alice v. CLS Bank International* (U.S. Supreme Court, 2014)
  - The Supreme Court held a computer-implemented financial settlement system to be a patent-ineligible "abstract idea."
- Alternatives:
  - Trade secret
    - Does not requiring disclosing the source code.
    - But does not prevent copycats if the software is easily mimicked or reverse-engineered.
  - Copyright
    - Must disclose the source code. Only prevents copies. Does not protect the functionality of the software. Does not prevent independent development.
  - Trademark
    - Much of the value in "Facebook," "Instagram," "Twitter," lies in the brand name, rather than the technology

Licensing

- Ownership vs. License
- EULA / End User License Agreement
- A license is a contractual document. Terms can vary.
  - Perpetual?
  - Worldwide?
  - Sublicensable?
  - Right to modify?
  - Termination?

303: IP Rights Under Government Contracts –

Jerome Gabig

Outline

I. The Allocation of Rights to **Patents** Conceived Or Actually Reduced To Practice Under A Govt Contract

II. Problems and Opportunities Involving Patents & Govt Contracts

III. Government Rights to **Technical Data and Computer Software** Pertaining to a Govt Contract

IV. Problems and Opportunities Involving Technical Data & Computer Software and Govt Contracts

The Allocation of Rights to Patents Conceived Or Actually Reduced To Practice Under A Govt Contract

Allocation of Rights to Patents

Friction: *Competition v. IP Rights*

"A company's interest in protecting its IP from uncompensated exploitation is as important as a farmer's interest in protecting his seed corn. Often companies will not consider jeopardizing their vested IP to comply with the Government's contract clauses."

USD (AT&L) Report, Oct. 2001

Allocation of Rights

Bayh-Dole Act of 1980

If contractor "plays by the rules," Govt only obtains a nonexclusive, royalty-free license for "subject inventions"

Allocation of Rights

Bayh-Dole Act exceptions -- agency required to take title:

- Department of Energy
- NASA

[This requirement can be waived.]

Allocation of Rights

Subject Invention

Means any invention conceived or first actually reduced to practice in the performance of work under a government contract or grant

Allocation of Rights

"Actually Reduced To Practice"

"An invention is actually reduced to practice when it is put into physical form and shown to be operative in the environment of its practical contemplated use."

Boeing v. U.S. (COFC 2006)

Allocation of Rights

"In Performance of Work…"

- Resolved by looking at scope of work.
- Tip for Govt: Match inventor's notebook to his time card

Allocation of Rights

Be cautious not to propose work that could produce a “subject invention” if company desires to enhance its patent portfolio for inventions that are likely to be discovered in performing the work.

-- Remember “subject invention” includes actually reduced to practice

Allocation of Rights

Definition of IR&D

"The term does not include the costs of effort sponsored by a grant or required in the performance of a contract."

FAR § 31.205-18

Allocation of Rights

- Work can be “implicitly required” for a contract.
  U.S. v. Newport News, 276 F. Supp.2d 539
- Possible to perform both IR&D work and contract work in same subject matter if careful.
  Boeing Co. v. U.S., 69 Fed. Cl. 397 (2006)

“Playing By The Rules”

Must Timely:

- Disclose subject invention
- Elect to take title
- File patent application

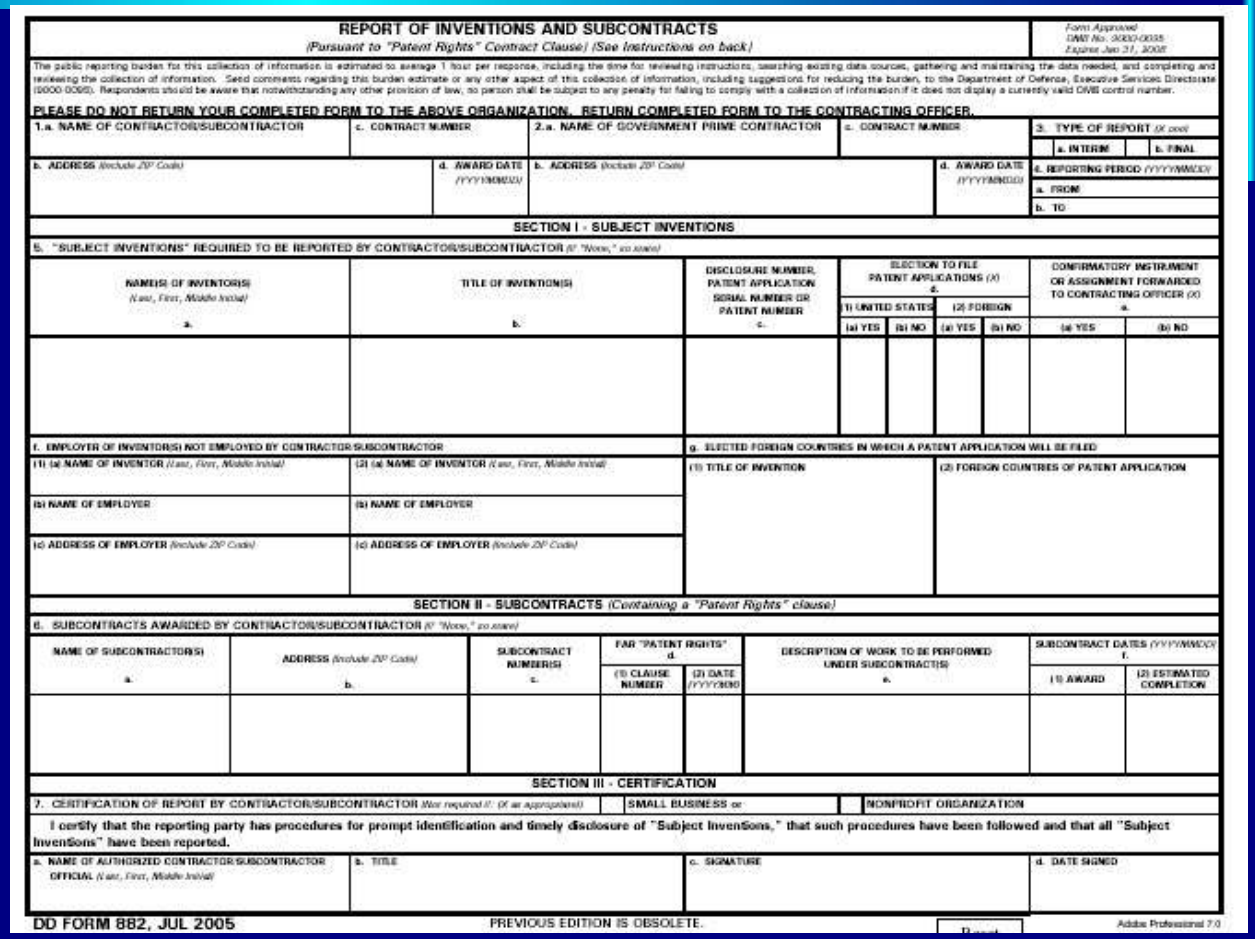
“Playing By The Rules”

Disclosing Subject Invention

“The Contractor will disclose each subject invention to the Federal agency within 2 months after the inventor disclosed it in writing to Contractor personnel responsible for patent matters.”

"Playing By The Rules"

DD Form 882



REPORT OF INVENTIONS AND SUBCONTRACTS

(Pursuant to "Patent Rights" Contract Clause) (See Instructions on back)

Form Approved
OMB No. 0000-0035
Expires Jan 31, 2008

The public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Department of Defense, Executive Services Directorate (0000-0035). Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ORGANIZATION. RETURN COMPLETED FORM TO THE CONTRACTING OFFICER.

1.a. NAME OF CONTRACTOR/SUBCONTRACTOR	c. CONTRACT NUMBER	2.a. NAME OF GOVERNMENT PRIME CONTRACTOR	c. CONTRACT NUMBER	3. TYPE OF REPORT (X one)
				a. INTERIM / b. FINAL
b. ADDRESS (Include ZIP Code)	d. AWARD DATE (YYYYMMDD)	b. ADDRESS (Include ZIP Code)	d. AWARD DATE (YYYYMMDD)	4. REPORTING PERIOD (YYYYMMDD) a. FROM b. TO

SECTION I - SUBJECT INVENTIONS

5. "SUBJECT INVENTIONS" REQUIRED TO BE REPORTED BY CONTRACTOR/SUBCONTRACTOR (If "None," so state)

NAME(S) OF INVENTOR(S) (Last, First, Middle Initial) a.	TITLE OF INVENTION(S) b.	DISCLOSURE NUMBER, PATENT APPLICATION SERIAL NUMBER OR PATENT NUMBER c.	ELECTION TO FILE PATENT APPLICATIONS (X) d. (1) UNITED STATES (a) YES	(1) UNITED STATES (b) NO	(2) FOREIGN (a) YES	(2) FOREIGN (b) NO	CONFIRMATORY INSTRUMENT OR ASSIGNMENT FORWARDED TO CONTRACTING OFFICER (X) e. (a) YES	(b) NO

f. EMPLOYER OF INVENTOR(S) NOT EMPLOYED BY CONTRACTOR/SUBCONTRACTOR		g. ELECTED FOREIGN COUNTRIES IN WHICH A PATENT APPLICATION WILL BE FILED	
(1) (a) NAME OF INVENTOR (Last, First, Middle Initial)	(2) (a) NAME OF INVENTOR (Last, First, Middle Initial)	(1) TITLE OF INVENTION	(2) FOREIGN COUNTRIES OF PATENT APPLICATION
(b) NAME OF EMPLOYER	(b) NAME OF EMPLOYER		
(c) ADDRESS OF EMPLOYER (Include ZIP Code)	(c) ADDRESS OF EMPLOYER (Include ZIP Code)		

SECTION II - SUBCONTRACTS *(Containing a "Patent Rights" clause)*

6. SUBCONTRACTS AWARDED BY CONTRACTOR/SUBCONTRACTOR (If "None," so state)

NAME OF SUBCONTRACTOR(S) a.	ADDRESS (Include ZIP Code) b.	SUBCONTRACT NUMBER(S) c.	FAR "PATENT RIGHTS" d. (1) CLAUSE NUMBER	(2) DATE (YYYYMMDD)	DESCRIPTION OF WORK TO BE PERFORMED UNDER SUBCONTRACT(S) e.	SUBCONTRACT DATES (YYYYMMDD) f. (1) AWARD	(2) ESTIMATED COMPLETION

SECTION III - CERTIFICATION

7. CERTIFICATION OF REPORT BY CONTRACTOR/SUBCONTRACTOR (Not required if: (X as appropriate)) ☐ SMALL BUSINESS or ☐ NONPROFIT ORGANIZATION

I certify that the reporting party has procedures for prompt identification and timely disclosure of "Subject Inventions," that such procedures have been followed and that all "Subject Inventions" have been reported.

a. NAME OF AUTHORIZED CONTRACTOR/SUBCONTRACTOR OFFICIAL (Last, First, Middle Initial)	b. TITLE	c. SIGNATURE	d. DATE SIGNED

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“Playing By The Rules”

Electing To Retain Title

The Contractor must decide to retain title within:

- 8 months if large business
- 24 months if a small business

"Playing By The Rules"

Contractor Elects Trade Secret

"The Contractor will retain a nonexclusive royalty-free license" but Gov't obtains title

[*Exception:* Contractor did not "played by the rules"]

“Playing By The Rules”

Filing Patent Application

“The contractor will file its initial patent application … within 1 year after election of title, or if earlier, prior to the end of any statutory period wherein valid patent protection can be obtained.”

"Playing By The Rules"

Must "Go The Distance"

The Contractor must "continue the prosecution … pay the maintenance fees …defend in reexamination or opposition proceedings."

Govt Rights - Patents

March-In Rights

Agencies can require licensing of inventions if invention not being commercialized

35 U.S.C. § 203

Govt Rights - Patents

Domestic Manufacture

Any products embodying the subject invention must be manufactured substantially in the U.S. (*except when "not commercially feasible"*)

Problems And Opportunities Involving Patents & Govt Contracts

Opportunity - Patents

- If Government does not have a license to a contractor's patent, the contractor is entitled to a reasonable royalty
- The Govt is suppose to ignore a patent and solicit proposals on a full and open basis

  - solicitation contains patent indemnity clause

Opportunity - Patents

A Patent Can Result In Sole Source

"Where protester contends that patent indemnity clause in solicitation results in supplier of patented item being in sole-source position, but record shows that agency has reasonable basis for concluding that use of clause was authorized by regulations, clause is unobjectionable."

Barrier-Wear, B-240563 (1990)

Patent v. Trade Secret

Patent

Trade Secret

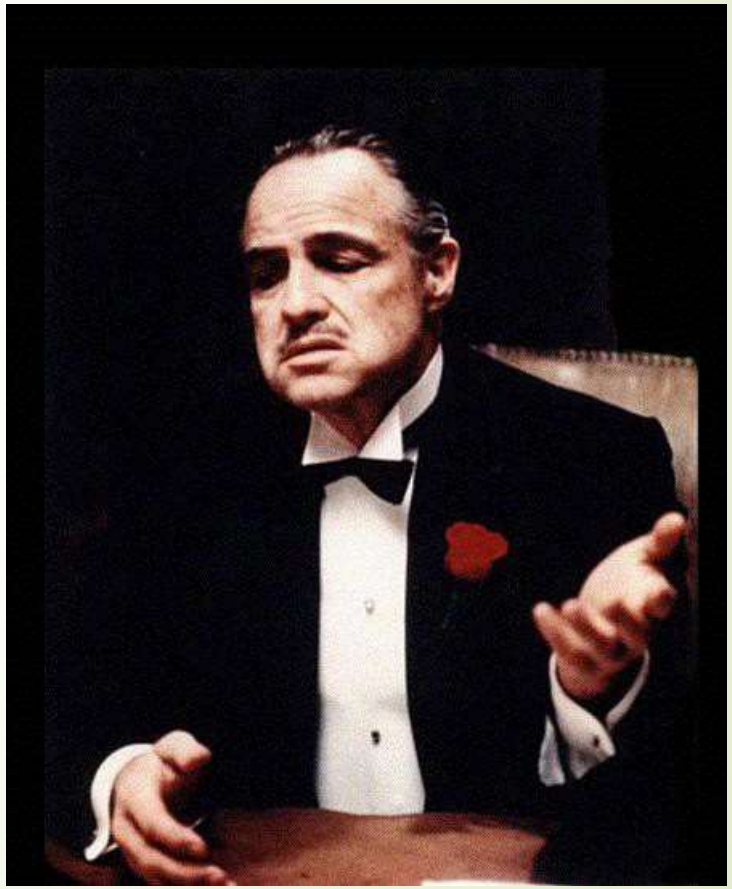
Patent v. Trade Secret

Foremost Question

Would the right to exclude a competitor from using the invention provide a significant competitive advantage?

Patent v. Trade Secret

Is the Federal government the only significant market?



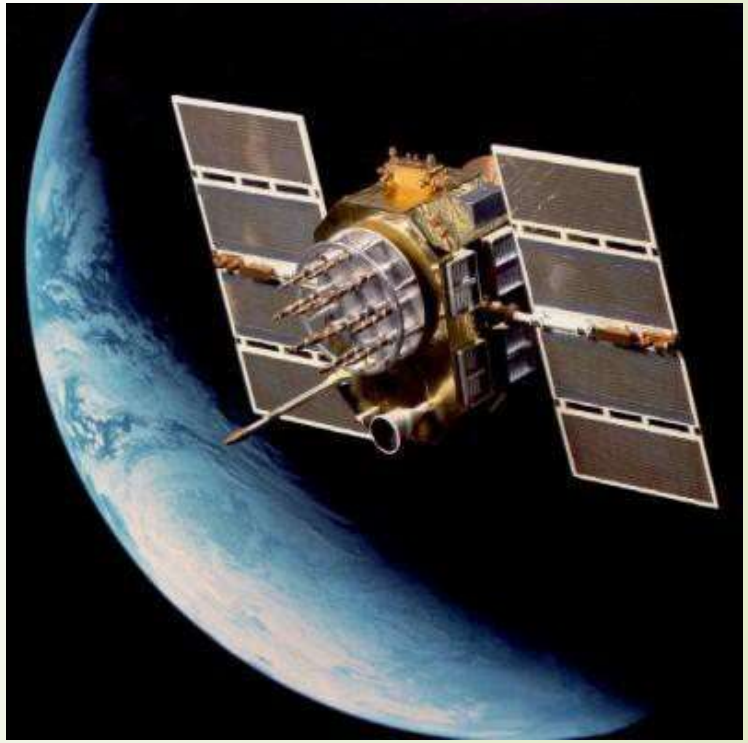
Patent Considerations

- No injunctive relief against Govt
- Cannot sue competitor if Govt is the ultimate customer
- Only recourse is to sue Govt in COFC
- Recovery limited to reasonable damages – no punitive damages
- DOJ is a tenacious litigator

Enforcing a Patent against Govt

Hughes-Williams Patent

- 1963 - filed
- 1973 - issued
- Hughes sought $5B (15% royalty)
- 1999 - awarded $154M (1%)



Patent v. Trade Secret

Easy to reverse engineer?

- **Yes**. Favor patent protection
- **No.** Trade secret worth considering

Patent v. Trade Secret

Other Considerations…

- Patents are expensive to acquire (plus renewal fees)
- Foreign patent protection?
- Possibility of secrecy order
- Patents eventually expire
- Foreign military sales?

Patent v. Trade Secret

Cost incurred “in connection with the filing and prosecution of a U.S. patent application” are allowable “where title or royalty- free license is to be conveyed to the Government.”

FAR § 31.205-30

Allocation of Rights to Trade Secrets Involving Govt Contracts (e.g., software and tech data)

DOD only

Govt Rights – Trade Secrets

Categories of Trade Secrets

- **Technical Data** -- *noncommercial*
- **Computer Software** – *noncommercial*
- **Technical Data** – *commercial*
- **Computer Software** – *commercial*

DoD Rights – Trade Secrets

Technical Data

Technical data means all “recorded information, regardless of the form or method of the recording, of a scientific or technical nature.”

DFARS § 252.227-7013

DoD Rights – Trade Secrets

Computer Software

Computer software means "computer programs, source code, source code listings, object code listings, design details, algorithms, processes, flow charts, formulae, and related materials…."

DFARS § 252.227-7014

Govt Rights – Trade Secrets

Commercial

Any item that is of a type customarily used for nongovernmental purposes and that –

(1) has been offered or actually sold, leased, or licensed to the general public;

(2) will be available to commercial market at time of delivery to Govt

(3) minor mods or mods for Govt

FAR § 2.101

Govt Rights – Trade Secrets

Vendor “owns” IP but Gov’t acquires various kinds of licenses:

- Unlimited Rights
- Government Purpose Rights
- Limited Rights
- Restricted Rights
- SBIR Rights
- Specifically Negotiated License Rights

DoD Rights – Trade Secrets

	Total Govt $	*Mixed Funding*	*Total Vendor $*
Tech Data	**Unlimited**	**GPR**	**Limited**
Software	**Unlimited**	**GPR**	**Restricted**

DoD Rights – Trade Secrets

	Total Govt $	*Mixed Funding*	*Total Vendor $*
Tech Data	**Unlimited**	**GPR**	**Limited**
Software	**Unlimited**	**GPR**	**Restricted**

Govt Rights – Trade Secrets

“Unlimited rights” means rights to use, modify, reproduce, perform, display, release, or disclose in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.

- Not automatically in public domain but, arguably Govt can place into public domain
- Not limited to a Government purpose

Applies to both tech data & computer software

DFARS § 252.227-7013(a)(15); § 252.227-7014(a)(15)

Govt Rights – Trade Secrets

Technical Data

Govt has **unlimited rights** to:

- Technical data created exclusively with Govt funds, or
- Technical data pertains to an item, component, or process developed exclusively with Govt funds

DoD Rights – Trade Secrets

	Total Govt $	*Mixed Funding*	*Total Vendor $*
Tech Data	**Unlimited**	**GPR**	**Limited**
Software	**Unlimited**	**GPR**	**Restricted**

Govt Rights – Trade Secrets

"**Government purpose rights**" is the right to: Use, modify, reproduce, release, perform, display, or disclose within the Govt without restriction; and if there is a Govt purpose, disclose outside the Govt

- Third party must agree to NDA before receiving
- Usually converted to "unlimited" after 5 years

Applies to technical data & computer software

DFARS § 252.227-7013(a)(12); § 252.227-7014(a)(11)

DoD Rights – Trade Secrets

	Total Govt $	*Mixed Funding*	*Total Vendor $*
Tech Data	**Unlimited**	**GPR**	**Limited**
Software	**Unlimited**	**GPR**	**Restricted**

Govt Rights – Trade Secrets

"Limited rights" means the rights to use, modify, reproduce, release, perform, display, or disclose, in whole or in part, within the Govt. The Govt may not, without the written permission, release or disclose the technical data outside the Govt

Only applies to tech data developed exclusively at private expense

DFARS § 252.227-7013(a)

Govt Rights – Trade Secrets

"Limited rights" (*continued*)

Exception:

- for emergency repair and overhaul; or
- for foreign government evaluation or informational purposes; and
- Third party must agree to nondisclosure and nonuse

Bottom Line: Govt cannot use to compete

DoD Rights – Trade Secrets

	Total Govt $	*Mixed Funding*	*Total Vendor $*
Tech Data	**Unlimited**	**GPR**	**Limited**
Software	**Unlimited**	**GPR**	**Restricted**

Govt Rights – Trade Secrets

"Restricted rights" means the Govt can:

- Use a computer program with one computer at one time;
- Transfer a computer program to another Govt agency;
- Make copies of the computer software for backup;
- Modify computer software but mods are subject to restricted rights
- Allow access by other vendors who sign NDAs

Applies only to noncommercial computer software developed exclusively at private expense

Govt Rights – Trade Secrets

"**SBIR rights**" is the right to:

Use, modify, reproduce, release, perform, display, or disclose within the Government or to support contractors for a Government purpose.

Eventually converts to "unlimited rights"

Applies to both technical data and computer software

DFARS § 252.227-7018

Govt Rights – Trade Secrets

Specifically Negotiated Rights

- The Govt cannot take less than Limited or Restricted Rights
- 10 U.S.C. § 2320 prohibits requiring a vendor to surrender data rights as a condition of receiving a contract
- If a major weapon systems, subsystems, or components, should consider life cycle management cost of long-term technical data needs including priced options

Thanks!

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