Software or Technical Data Delivered Under a DoD Contract:

10 Useful Tips Concerning IP Rights

By Jerry Gabig

In 2016, Redstone's Army & Missile Command (AMCOM) spent $13.4 billion. Other large government procuring institutions in Northern Alabama raise the annual federal spending to as much as $40 billion. Much of what is purchased is technology. Technology acquisitions bring countless intellectual property issues. Here are 10 useful tips:

TIP #1: Even if the software or technical data is developed totally at government expense, the contractor still owns the IP. DFARS § 227.7103-4 "The Government obtains rights in technical data, including a copyright license, under an irrevocable license granted or obtained for the Government by the contractor. The contractor or licensor retains all rights in the data not granted to the Government."

TIP # 2: "Possession Is 9/10th of the Law." If software or technical data is not a deliverable, there is nothing on which the government can exercise its rights. FAR § 27.403. "Data rights clauses do not specify the type, quantity or quality of data that is to be delivered, but only the respective rights of the Government and the contractor regarding the use, disclosure, or reproduction of the data. Accordingly, the contract shall specify the data to be delivered."

TIP #3: Take seriously solicitation clauses requiring the identification of pre-existing IP. These clauses include DFARS § 52.227-7013(e); DFARS 52.227-7014(e), and DFARS 52.227-7017. An example of unnecessary risk is DFARS §52.227-7013(e)(2): "The Contractor shall not deliver any data with restrictive markings unless the data are listed on the Attachment."

TIP #4: IP rights typically follow the money.

- Government Unlimited Rights – Developed exclusively with government funds.
- Government Purpose Rights – Mixed funding.
- Government Limited Rights (technical data) – Exclusively at private expense.
- Government Restricted Rights (software) – Exclusively at private expense.

An anomaly is where the development is performed as IR&D. IR&D is treated as if developed exclusively at private expense even though the government often pays for the development as an indirect expense.

TIP #5: Allocation of IP rights is generally made at the lowest segregable level. DFARS § 227.7203-5(b) states: "The determination of the source of funds used to develop computer software should be made at the lowest practicable segregable portion of the software or documentation."

TIP #6: The Government has a duty to protect the IP of contractors. In 2013, the army agreed to pay Apptricity Corporation $50 million for "pirating" the Apptricity's logistics software. The army licensed the software for five servers but used the software on 93 servers.

TIP #7: Software can still be "commercial" even if developed totally at government expense. "But the commercial software regulations, unlike the technical data and noncommercial software regulations, do not grant the government different rights based on the commercial software's source of funding. Instead, they simply require that the software qualify as 'commercial,' which includes commercial software that contains 'minor modification[s],' regardless of whether those modifications were funded by the government or otherwise. Thus, so long as the Navy Solution qualifies as commercial computer software, it makes no difference whether the Navy paid for any portion of GlobeRanger's developmental work." *GlobleRanger Corp v. Software AG*, 2014 WL 2807324, ND TX June 20, 2014.

TIP #8: The failure to properly mark deliverables with restrictive legends could result in a contractor losing IP rights. DFARS § 252.7013(b)(vi) states that the government has unlimited rights if the data has "been released or disclosed by the Contractor or subcontractor without restrictions…." *See also*, RESTRICTIVE LEGENDS IN FEDERAL PROCUREMENT: IS THE RISK OF LOSING DATA RIGHTS TOO GREAT? 38 Public Contract Law Journal 895 (Summer 2009).

TIP # 9: Improvements merit close attention. The definition of "developed" in DFARS § 52.227-7013(a), by having a focus on "workability," resembles the definition frequently used in patent law. Arguably, an improvement is post workability and therefore not developed. Tip #9 works well with Tip #5. For a decision that supports that development ceases upon workability, *see Dowty Decoto, Inc. v. Department of the Navy*, 883 F.2d 774 (9th Cir. 1989).

TIP #10: IP can be the basis for awarding a sole source contract. FAR § 6.302-1 allows the award of a sole source contract where "only one responsible source and no other supplies or services will satisfy agency requirements." Subsection (b)(2) further explains that "the existence of limited rights in data, patent rights, copyrights, or secret processes" may be the cause of only one responsible source.

In *FN Manufacturing, Inc. v. U.S. & Colt's Manufacturing*, 44 Fed. Cl. 449 (1999), the Court of Federal Claims held that "sole-source contract for supply of M4 carbines represented a lawful exercise of procurement authority under the Competition in Contracting Act, as the government's acknowledgment in settlement of competitor's proprietary data rights precluded procurement of the weapon on a competitive basis."

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