

Intellectual Property and Government Contracts

Roadmap

- Experience is the best teacher, but the tuition is high

– *Norwegian Proverb*

Roadmap

- What I Want You To Take Away

IP is a pervasive, thorny issue with countless twists and turns

- There is no “one size fits all” strategy

Mistakes in IP are costly ... bet-the-company costly

- Create a good IP business strategy *before* executing contracts
- Weigh benefits of funding against possible negative impact of IP concessions on future opportunities

Get advice early .. IP is time sensitive

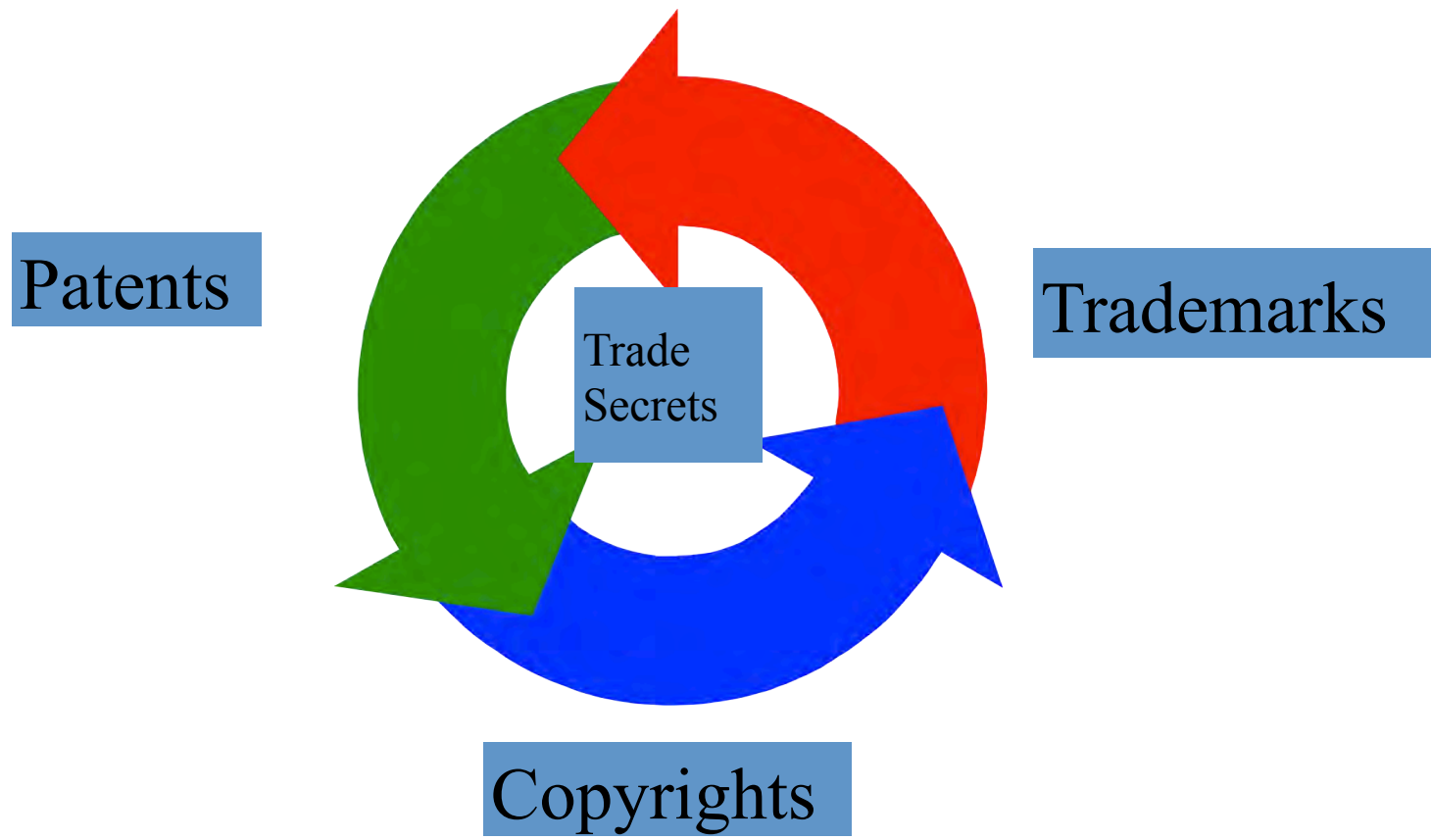
Roadmap

- 90 minute time slot
- Fire hose 60 minutes of information
Short break to catch our breath
- Discussion/Questions/War Stories

Roadmap

- IP
 - What is it
- But it's the Government ...
 - What are the rules dealing with IP
 - How do the rules differ from the commercial world
 - Prime / Subcontractor considerations
- Contracts vs. Grants
 - SBIR/STTR
 - CRADA

Types of Intellectual Property



Patents

- Protects an innovative idea
- Government - inventor contract

Trade Secrets

- Trade Secret information is information that provides an economic advantage because the information is maintained as a secret by the owner
- E.g. Customer Lists, Market Information, Source Code, Formulas, Know-How, etc.
- Antithetical to a patent

Copyrights

- Protects original works of authorship that are fixed in a tangible form of expression

Text

Photos

Sound recordings

Videos

Software

Sculptures

Trademarks

- Trademarks are “things” that identify the source of goods
- Service Marks are “things” that identify the source of services
- Trade names identify companies themselves and often concurrently function as service marks

What is IP

- IP = patents + copyrights + trade secrets + trademarks
- IP is a competitive advantage
 - A comparative advantage (or cost advantage) is a company's ability to produce a good or service at a lower cost than its competitors
 - A differential advantage is created when a company's products or services are different from their competitors and are seen by customers as superior
- But when the Government is the customer?
 - Rules and Nomenclature change

Consider ...

- A government contractor
- With an innovative idea

The Stark Industries logo is displayed in white on a blue background. It features the words "STARK INDUSTRIES" in a bold, italicized, sans-serif font. A white horizontal line with a sharp arrowhead pointing to the right is positioned above the text. Below the main text, the tagline "CHANGING THE WORLD FOR A BETTER FUTURE" is written in a smaller, all-caps, sans-serif font.

STARK INDUSTRIES

CHANGING THE WORLD FOR A BETTER FUTURE

The concept



MARTENSEN

©2015 Martensen IP. All Rights Reserved.

a little IR&D



MARTENSEN

©2015 Martensen IP. All Rights Reserved.

Some technical data

10:35:44
Monday

August 13

Full Capacity: 195 G
PRIMARY STORAGE
Free Capacity: 148 G

Power 100% AC Line

Waste Status 2 Files(s)

Uptime: 0d 1h 0min

Communication compose new

RainMeter Resources

Browser

Themes

Emergency Manuevers

Eject

Reboot

Images

Documents

Downloads

Videos

Music

Skinspath

VLC

Photoshop

Word

Excel

Powerpoint

117.207.113.165

0.2k
0.0k

117.207.113.165

Haze
Atmospheric Analysis
30°

Notes

!Customize the desktop

C:\Users\Amrit\Downloads

Rainmeter
<http://rainmeter.net/ems/>

Once you have download and installed Then Download the Skin:

Jarvis Display Theme
<http://scrollsofaryavart.deviantart.com/gallery/27888438#/d4hp4kj3m>

gmail

wikipedia

da-rainmeter

da-creativd

barbadi room

lifehacker

io9

gizmodo

kotaku

twitter

facebook

youtube

Jarvis display system

LEFT PANEL:

- TIME
- DATE
- PRIMARY DRIVE
- WEINAP INTERFACE
- POWER STATUS
- WASTE STATUS
- COMPOSE MSG
- WIN7 START
- RAINMETER
- NETWORK STATISTICS
- EVASION

WEATHER BAR:

- TEMPERATURE
- CLIMATE

VISUALS

NOTES

CENTRAL INTERFACE:

- FOLDER LINKS
- WEB CONNECT
- PRIMARY APPS

RSS FEEDS:

- LIFEHACKER
- IO9
- GIZMODO
- TOI NEWS

Reader

io9

A naval officer calls this "the weirdest thing I've seen in 18 years at sea" [Video]

Best of the Week: August 4-10, 2012 [Best Of The Week]

1.8-million-Lego map of Japan will make you feel like Godzilla [Cheer Up]

These sex-crazy birds don't have time to sleep [Biology]

How a three-fingered hand "regrew" its digits after amputation [Neuroscience]

DISK

C:\ 47.5 GB/195.3 GB used

D:\ 16.2 GB/146.5 GB used

SYSTEM

CPU Usage 62%

RAM Usage 46%

SWAP Usage 37%

10:35

Monday 13.08.2012

NETWORK

IP Address 117.207.113.165

Upload 208.0 B/s

Download 0.0 B/s

RECYCLE BIN

2 items 206.3 kB

GOOGLE

Search...

Visuals

Screenshot

Software ...



And let's not forget patents ...



US 20130145530A1

(19) **United States**
(12) **Patent Application Publication** (10) **Pub. No.: US 2013/0145530 A1**
Mitra (43) **Pub. Date: Jun. 13, 2013**

(54) **IRON MAN SUIT** (52) **U.S. CL.**
USPC 2/456

(76) Inventor: **Manu Mitra**, Walnut Creek, CA (US)

(21) Appl. No.: **13/316,420**

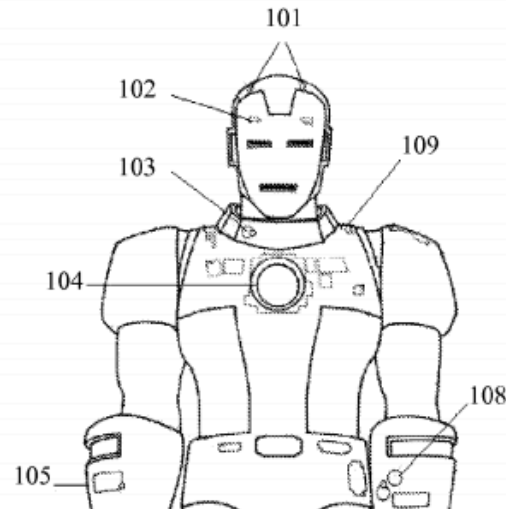
(22) Filed: **Dec. 9, 2011**

Publication Classification

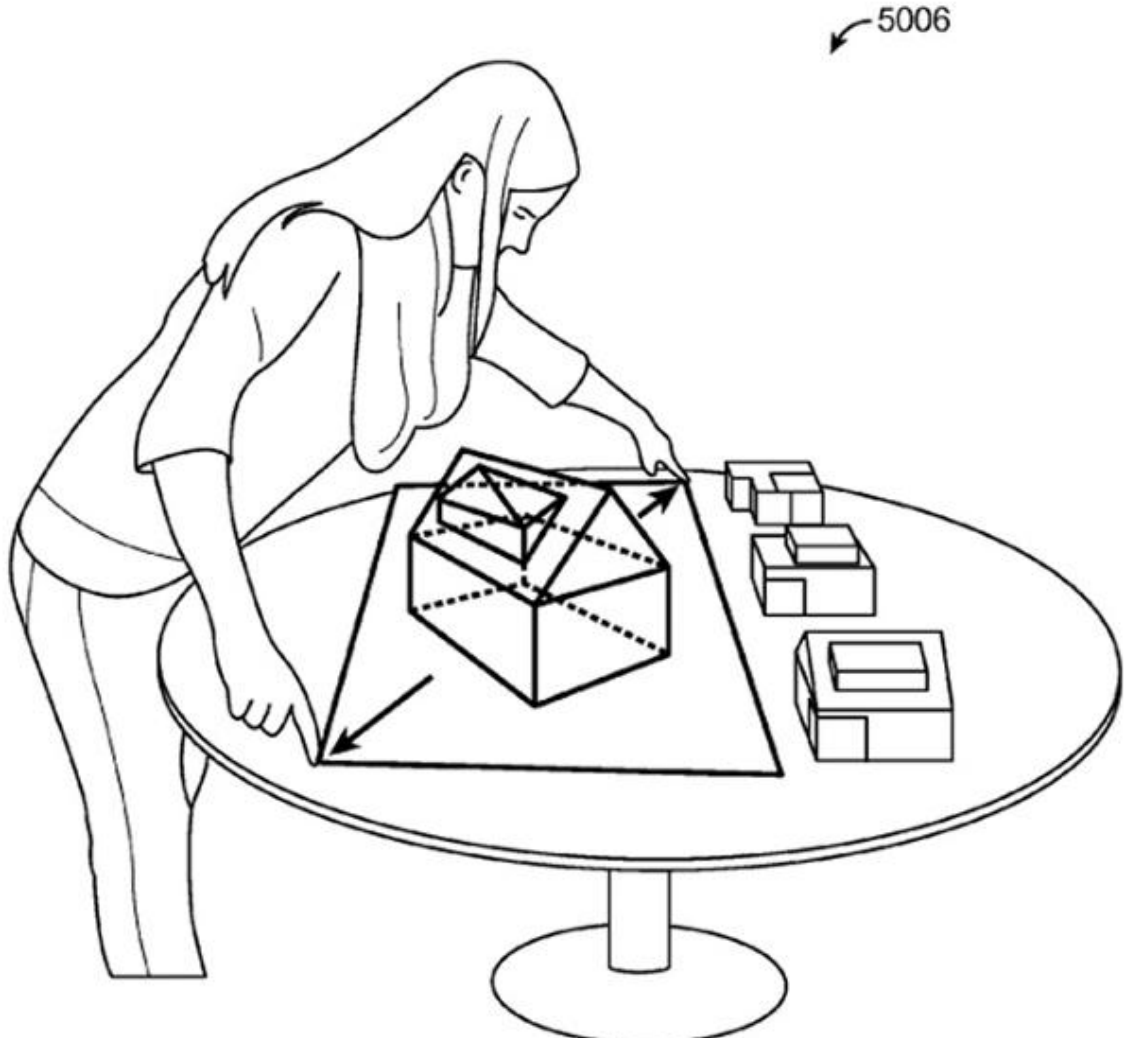
(51) **Int. Cl.**
A41D 13/00 (2006.01)

(57) **ABSTRACT**

A suit apparatus constructed from a strong material, such as steel, which is capable of protecting its wearer from projectiles, such as bullets, and including a hydraulic mechanism and a power source, which enables the suit wearer to do mechanical work, such as pushing or lifting heavy objects, using the hydraulic mechanism.



Or on related technology ...



And let's not forget the competition ...



Back to reality

- So how does this work ...
- How does intellectual property protection intersect with government contracts ...

Technical data and Software

10:35:44
monday

August 13

Full Capacity: 195 G
PRIMARY STORAGE
Free Capacity: 148 G

Power 100%
AC Line

Waste Status
2 Files(s)

Uptime: 0d 1h 0min

Communication
compose new

RainMeter
Resources

Browser

Themes

Emergency
Maneuvers

Eject

Reboot

Images
Documents
Downloads
Videos
Music
Skinspath

VLC

Photoshop
Word
Excel
Powerpoint

30°
Haze
Atmospheric Analysis

Notes

! Customize the desktop
C:\Users\Amrita\Downloads
Rainmeter
<http://rainmeter.net/ems/>
Once you have download and installed Then Download the Skin:
Jarvis Display Theme
<http://scrollsofaryavart.deviantart.com/gallery/27888438#/d4hp4kj3m>

gmail
wikipedia
da-rainmeter
da-creativd
barbadi room
lifehacker
io9
gizmodo
kotaku
twitter
facebook
youtube

Reader

io9

A naval officer calls this "the weirdest thing I've seen in 18 years at sea" [Video]

Best of the Week: August 4-10, 2012
[Best Of The Week]

1.8-million-Lego map of Japan will make you feel like Godzilla [Cheer Up]

These sex-crazy birds don't have time to sleep [Biology]

How a three-fingered hand "regrew" its digits after amputation [Neuroscience]

Jarvis display system

LEFT PANEL:
- TIME
- DATE
- PRIMARY DRIVE
- WEINAP INTERFACE
- POWER STATUS
- WASTE STATUS
- COMPOSE MSG
- WIN7 START
- RAINMETER
- NETWORK STATISTICS
- EVASION

WEATHER BAR:
- TEMPERATURE
- CLIMATE

VISUALS
NOTES

CENTRAL INTERFACE:
- FOLDER LINKS
- WEB CONNECT
- PRIMARY APPS

RSS FEEDS:
- LIFEHACKER
- IO9
- GIZMODO
- TOI NEWS

DISK
C:\ 47.5 GB/195.3 GB used
D:\ 16.2 GB/146.5 GB used

SYSTEM
CPU Usage 62%
RAM Usage 46%
SWAP Usage 37%

10:35
Monday 13.08.2012

NETWORK
IP Address 117.207.113.165
Upload 208.0 B/s
Download 0.0 B/s

RECYCLE BIN
2 items 206.3 kB

GOOGLE
Search...

Visuals

Screenshot

Windows 7
Build 7601
This copy of Windows is not genuine

Copyrights, Trade Secrets ...

- Different Nomenclature

Copyrights vs. Computer Software

Trade Secrets vs. Technical Data

- “Rights in technical data and software” is not a separate area of intellectual property but rather a merger of copyright, trade secret and contract law

- Deliverables vs. Rights

Deliverables are the items of IP that the contractor is required to deliver as an element of contract performance.

Rights are what the government is permitted to do with the deliverables

- Technical Data
 - Data, other than computer software, which are of a scientific or technical nature
 - Does not apply to the item or component itself
 - Includes data bases and computer software documentation
 - Excludes financial, administrative, cost or pricing, or management data or other information incidental to contract administration

- Computer Software
 - 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 preform a specific operation or series of operations; and
 - Recorded information comprising source code listings, design details, algorithms, processes, flow charts, formula and related material that would enable a computer program to be produced, created or operated.

How do Copyrights apply

- Works produced under government contracts are protected under U.S. Copyright Law

Contractor's Right to Assert Copyright

- Copyright ownership depends on the terms of the contract... in some cases the contractor has to ask for (assert) ownership
- Copyright ownership can apply to both technical data and software

Government's Unlimited Rights

- Unless contractor asserts claim to copyright, Government has unlimited rights

In all data first produced in the performance of a contract, and

In all data delivered under a contract

- unless provided otherwise in the contract (e.g., limited rights data)

Government's Unlimited Rights

- Government's unlimited rights include
Right to use, disclose, reproduce, prepare derivative works, distribute copies to the public, and perform and display publicly, in any manner and for any purpose, and to have or permit others to do so

Examples of permissible use

- may provide data to another contractor
- may distribute data to the general public
- may post data to a public web site

Government's Limited Rights

- Limited Rights in Technical Data

May be reproduced or used by the government

May not be disclosed outside the government or used for manufacture

- Other permitted uses defined by the contract

DFAR

- Emergency Repair
- Government Support Contractor
- Foreign Government
- For segregation / reintegration of the item or process

Government's Restricted Rights

- Restricted Rights in Computer Software
 - Use a computer program with one computer at one time
 - Transfer to another Government Agency
 - Make Copies for Safekeeping (archive)
 - Modify
 - Disclose to service contractors
 - Permit service contractors to use computer software to diagnose / correct deficiencies or to modify in response to urgent tactical situations
 - Disclose to contractors for emergency repairs and overhaul

Government Purpose Rights

- Government Purpose

Right to use within the government without restriction

Right to authorize others to use for any government purpose

Allocation

- So who gets what??

Allocation

- DoD (DFAR)
Based on money: what the government paid for
- Other Agencies (FAR)
Based on what the contract required

Unlimited Rights in Technical Data

- DoD (DFAR)
 - Developed exclusively at government expense
- Other Agencies (FAR)
 - First produced in the performance of a government contract
 - Irrespective of funding

Other Stuff

- Form, Fit Function
- Manuals, instructions, training materials for installation, operation or routine maintenance or repair

Unlimited Rights in Computer Software

- DoD (DFAR)
 - Computer software developed exclusively with governmental funds
 - Computer software documentation required to be delivered under the contract
 - Corrections or changes to code furnished to the contractor by the government
- Other Agencies (FAR)
 - First produced in the performance of a government contract

But is Unlimited ... Unlimited

- Third Party Rights
 - The government can “give” data to a third party
 - The receiving party can “use” the data for government purposes
 - But can the receiving party “use” the data for other purposes?
 - Does “unlimited” include a right to sublicense to reproduce and distribute
- Under the FAR
 - Establishing a claim for copyright modifies unlimited rights to essentially government purpose rights

Government Purpose Rights

- DoD (DFAR)
 - Mixed funding
 - Technical data developed with mixed funding where contract does not require the development, manufacture or production of items, components or processes
- Other Agencies (FAR)
 - Cosponsored Research
 - Contractor / Government contributions are not readily segregable
 - Negotiated rights

Limited / Restricted Rights

- DoD
 - Developed at private expense
- Other Agencies
 - Not developed in the performance of a government contract; and
 - Developed at private expense

... the details

- “Developed”
 - An item, component or process exists and is workable
 - The item or component has been constructed or process practiced
 - Workability is established when the item or component or process has been analyzed or tested sufficiently to demonstrate to one of reasonable skill in the applicable art that there is a high probability that it will operate as intended
 - Compare.... Actual reduction to practice...

... the details

- “Developed”
 - Program
 - Demonstrate to one of reasonable skill in the relevant art that the program can be expected to perform its intended purpose
 - Software
 - No operation required
 - Tested / analyzed
 - Documentation
 - Written

Segregable

- DFAR concept

Development at the lowest practical level prior to receiving government funding = limited rights in technical data and/or restricted rights in software

If mixed funding ... DoD = government purpose rights ... other agencies = unlimited rights

... the details

- “At Private Expense”
 - Was accomplished entirely with costs charged to indirect cost pools, costs not allocated to the government contract, or any combination thereof
 - Made at the lowest practical level
 - Segregable
 - Additional costs not considered for rights allocation

What about open source...

- Free and Open Source Software
 - Copyleft
- Project Forge / Software Forge
 - DoD Initiative
 - Private, secure, customer-controlled, collaborative software development environment
 - Collaborative environment for shared development of open sources and community source software within the DoD.

Proposal Data

- Confidential proposal data should be protected with a prescribed legend on the title page and at the foot of each page containing such data

Disputes over Data Rights

The government may challenge restrictive legends applied by contractors.

The FAR defines a due process procedure called “validation” for the contractor to support its claims that the government’s rights in particular data or software are limited.

Technical Data and Software ..



Take Homes

Restrictions on government rights are not self-executing

- Assert Copyright Ownership
- Copyright protection may preclude third parties from using technical data and software for anything other than government purposes
- Scrutinize the statement of work and deliverables list, especially with respect to “development” tasks

Painstakingly include prescribed legends on data and software

- Confidential proposal data should be protected with a prescribed legend on the title page and at the foot of each page containing such data
- Identify limited rights/restricted rights material in response to RFPs

Take Homes

Accounting system should permit the segregation of development costs (by product and, if feasible, by component)

Accounting system should identify funding source for development effort

IR&D counts as private expense, even though a portion may be recovered under government contracts through indirect cost rates

Mark all deliverables

Patents



US 20130145530A1

(19) **United States**

(12) **Patent Application Publication**

Mitra

(10) **Pub. No.:** US 2013/0145530 A1

(43) **Pub. Date:** Jun. 13, 2013

(54) **IRON MAN SUIT**

(76) **Inventor:** Manu Mitra, Walnut Creek, CA (US)

(21) **Appl. No.:** 13/316,420

(22) **Filed:** Dec. 9, 2011

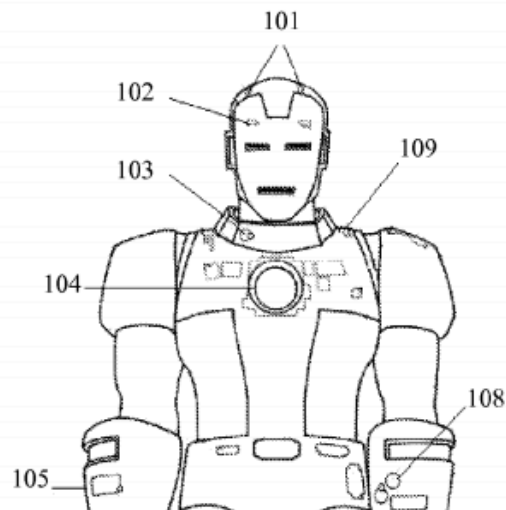
Publication Classification

(51) **Int. Cl.**
A41D 13/00 (2006.01)

(52) **U.S. Cl.**
USPC 2/456

(57) **ABSTRACT**

A suit apparatus constructed from a strong material, such as steel, which is capable of protecting its wearer from projectiles, such as bullets, and including a hydraulic mechanism and a power source, which enables the suit wearer to do mechanical work, such as pushing or lifting heavy objects, using the hydraulic mechanism.



Bayh-Dole

- The inventor retains ownership of “subject inventions” made in connection with federally-sponsored research.
- The federal government acquires a paid-up, irrevocable worldwide license for the patent to be practiced by, or on behalf of, the United States.

Patents

A “subject invention” is one conceived or first actually reduced to practice in performing a Federal contract

Contractor generally takes title to subject inventions if

- Invention is timely reported to the Government
- Takes steps to protect the invention in relevant countries

The Government has a perpetual, worldwide, royalty-free license with right of sublicense

What is a subject invention?

“Conceived” -- or

“Actual reduction to practice” –

- When the invention is actually constructed to the point of demonstrating that it can achieve the intended result. A prototype may suffice. Note that this is more than constructive reduction to practice, which is the description and depiction of the claimed invention, as in a patent application.

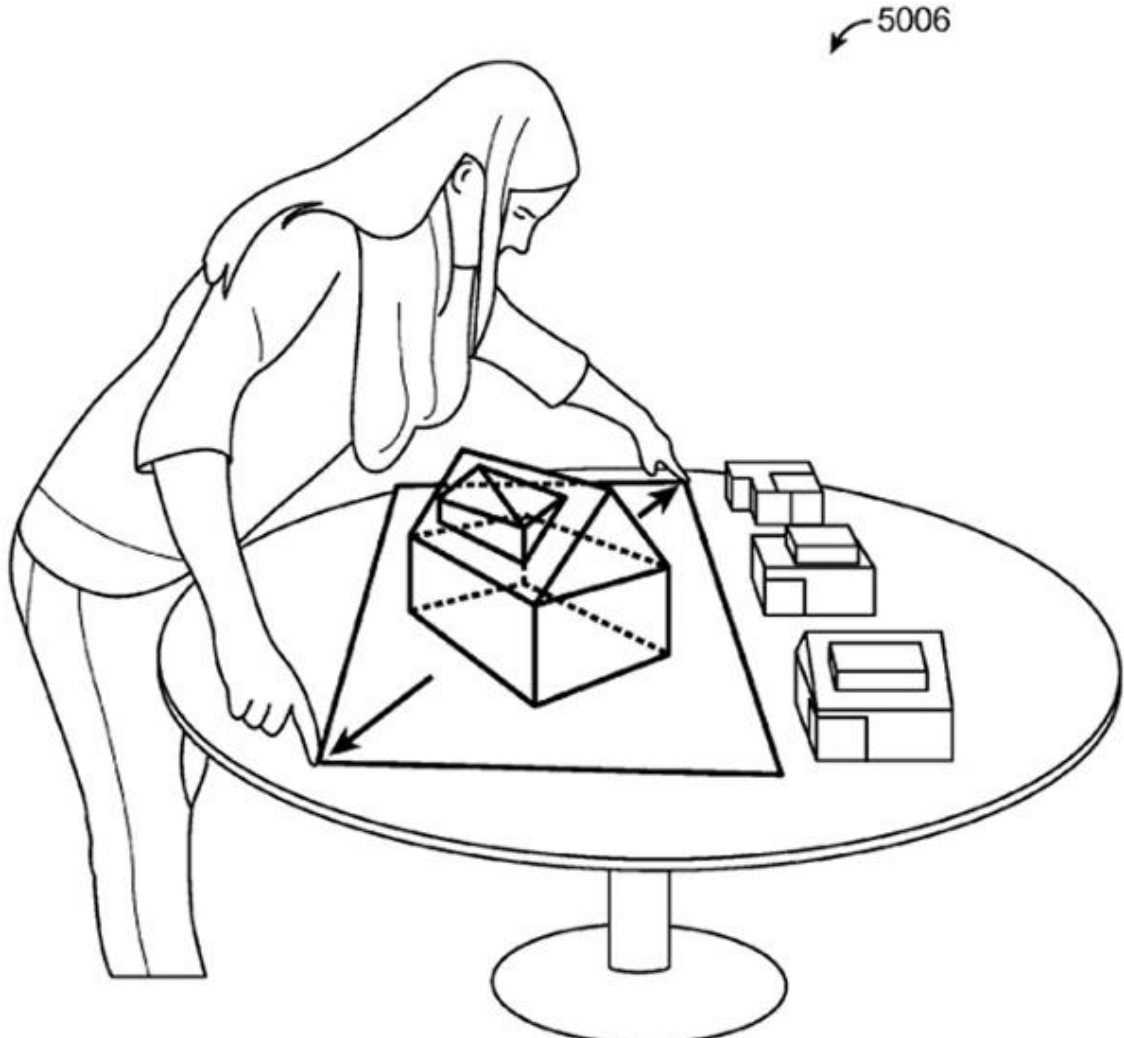
In Performance of ...

Tool or deliverable?

If the invention is a tool used in performance, but the contract neither specifies its development nor its delivery, it should not be considered a subject invention.

If the invention is conceived or reduced to practice by the client team and incorporated in the deliverables, it is likely to be a subject invention.

Tool or deliverable ...



Procedural Requirements

- Reporting of subject inventions
- Acknowledgment of government sponsorship
- In some cases, obtaining approval to obtain title
- Prosecuting patent applications
- US manufacture

Patent Infringement

The Patent Act authorizes the Federal Government to practice US patents.

- Neither the Government nor contractors which it requires to practice a patent are infringers.
- The Government cannot be enjoined from infringing.
- The patentee has a right to a reasonable royalty from the Government.
- If a contractor practices a patent without authorization from the patentee or the Government, it is liable to the Government for the cost of the Government's reasonable royalty.

Take Homes

- Patent filings are time sensitive
- Patents can be filed on non-deliverable inventions
- Patents can establish rights in an invention beyond the US

Trademarks



Trademarks and Government Contracts

- Trademarks grant rights to the source of goods or services rather than the consumer of those goods and services
- The contractor is the source ... the government is the consumer

Trademarks and Government Contracts

- The government has no right to use a mark it does not own or control, nor is a contractor who uses a mark at the direction of the government immune from suit

Trademarks and Government Contracts

- Unlike the limited waiver of sovereign immunity for disputes under government contracts, the Government's consent to be sued under the Lanham Act is not limited

Prime v. Sub



Subcontractor Data Rights: Prime v Sub

The rights gained by the government remain unchanged.

The relationship (contract) between the prime and the sub is distinct

Subcontractor Data Rights: Prime v Sub

No prime contractor ownership of subcontractor software nor automatic license rights in subcontractor software.

- The prime does not get rights in a subcontractor’s software. Only the Government gets software data rights. The prime is a “middle-man” who passes through a sub’s data rights to the Government.

The prime cannot coerce subcontractor into giving the prime the sub’s data rights.

- The prime contractor cannot use its “prime” position to coerce additional rights from a subcontractor.

Subcontractor Data Rights: Prime v Sub

Sub and prime can agree on an NDA or license.

- Prime responsibility to manage / monitor subcontractor software development
- Need to integrate sub's software in prime's deliverable software.
- Establishes the parties' respective rights and limits; e.g., program-only use.
- Without agreement, sharing subcontractor software with prime or other subcontractor can lead to a myriad of problems for the subcontractor
 - Loss of proprietary position / trade secret . . . give away
 - Disagreement / dispute

Subcontractor Data Rights: Prime v Sub

- Subcontractor commercial software

Prime passes thru sub's commercial software as a stand-alone deliverable, or

Integrate the software into the prime's deliverable

Case Study

Case Study:

- Sub discloses confidential technical data to Prime while working on Phase I of a DOD program
- Subcontract incorporates by reference DFARS 252.227-7013, including a provision that the Prime is to have “unlimited rights in technical data that are ... developed exclusively with Government funds”
- In the process of soliciting bids for Phase II of the program, Prime discloses Sub’s technical data to Sub’s competitor
- Sub sues Prime for misappropriation of trade secrets
- Will the Sub’s misappropriation claim be successful?

Case Study

- Plainville Electrical Products Co. v. Bechtel Bettis Inc.
- (D.Ct. 2009)
- Court: “Because the 2003 subcontract gave [Prime] the unlimited right to use, distribute, or disclose that data ... there can be no ‘misappropriation’ of the [Sub’s] data, and therefore no trade secret claim.”
- Court emphasized that the “DFARS provides a mechanism for protecting trade secrets that the parties chose not to use.”

Case Study

Case Study:

- In the course of performing a DOD program, Contractor gives source code that it developed at private expense to the Government, but did not assert rights to the software or include any proprietary markings
- Key employee leaves Contractor and starts a competing business with core technology based on source code
- Contractor files a lawsuit against the former employee for misappropriation of trade secrets.

Case Study

- L-3 Comm. *Westwood Corp v. Robichaux* (E.D. La. 2008)
 - Court: “Granting the Gov't unlimited rights to data without any restrictive legend or markings constitutes a failure to maintain secrecy”
 - Because contractor “did not use efforts reasonable under the circumstances to maintain the secrecy of the alleged trade secrets in the source code,” the source code was no longer protectable as a trade secret
- Carefully consider the nature of the rights granted to the Gov't
 - Giving the Gov't “unlimited rights” when IP is developed at private expense can impact the status of those rights vis-à-vis third parties

Take Homes

- Carefully consider the prime / sub relationship

Grants v. Contracts

Generally aimed at early stages of research, not product development

The grantee's obligation is to perform research *effort*, not to achieve pre-defined *results*

The deliverables are data (research results) rather than products, although there may be samples or prototypes

Often the project is largely defined by the proposer, rather than the funding agency

Rights in Data - SBIR Program

SBIR contractors may assert copyright without prior approval of the Contracting Officer

- unless there is specific contract language to the contrary
- If claim to copyright is made
 - Government gets same license as it receives under the FAR general data rights clause

Rights in Data - SBIR Program

When SBIR Data is delivered to the Government with “SBIR Rights Notice” provided in the clause

- Government may use SBIR data for government purposes only
- Cannot disclose the data outside the Government for a specified period of time (usually 4 years)

If not marked with “SBIR Rights Notice”

- No additional restrictions on Government’s use

Cannot be negotiated away pre-award

Becoming the next Stark Industries



Things to Remember

IP is a pervasive, thorny issue with countless twists and turns

- There is no “one size fits all” strategy

Mistakes in IP are costly ... bet-the-company costly

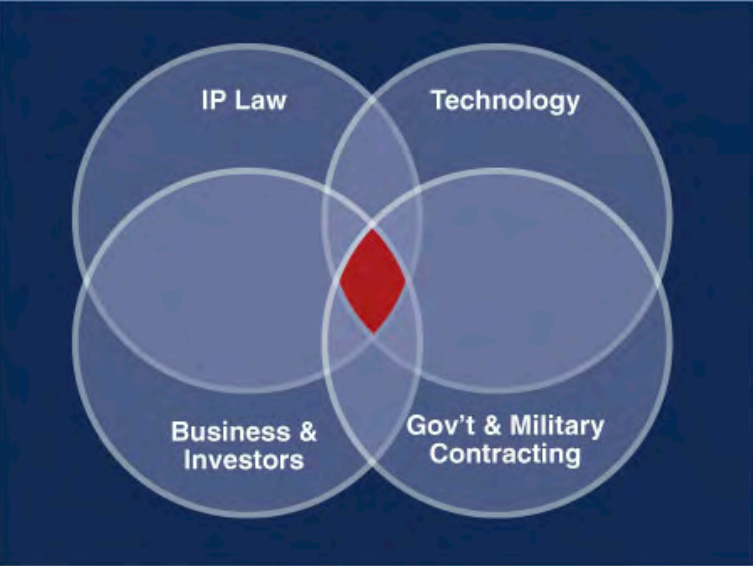
- Create a good IP business strategy *before* entering contracts
- Weigh benefits of funding against possible negative impact of IP concessions on future opportunities

Get advice early and often



More Than An IP Law Firm

Martensen provides superior service with a unique combination of legal, business, engineering and military contracting expertise.



Contact Information

- <http://www.MartensenIP.com>
- Mike@MartensenIP.com
- info@MartensenIP.com
- 1-719-358-2182