

## Intellectual Property Considerations in Government Contracts Related to Space And Cyber

by Mike Martensen | Jun 15, 2017 | Government Contracts, Intellectual Property Due Diligence, Patents



*A survey of landmines that may await you, and an advantageous roadmap to guide you away from danger with sound pointers on how to protect your IP while operating in the government sphere.*

You've just won a government contract under a Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) award for a prototype space widget or new cyber application - great! Now try keeping your intellectual property (IP) rights.

It's harder than you might think. That's because a number of obstacles seemingly conspire to prevent you from maintaining your rights to IP you've created through sweat equity, research and development, and long hours of trial and error.

### **SIGNIFICANCE OF SPACE & CYBER IN OUR COMMUNITY**

Colorado Springs is home to Air Force Space Command (AFSPC), the Department of Defense (DoD) lead agency for all-things-space-and-cyber. The role of cyber in the military arena has become increasingly important, especially in the wake of myriad military and civilian network attacks from state- and non-state actors over the past few years. Space has become increasingly important as well, as cyber capabilities become more and more reliant on space transmission paths for our globally connected world.

As a result - especially in Colorado Springs - space and cyber share top billing in today's "must-have" lineups for DoD. Every year, DoD alone awards \$135-150 billion in government-sponsored R&D funding. And it's all undiluted capital. "Undiluted" means the government doesn't take a cut of your company (unlike angel investors or venture capitalists) so you retain what the government gives you without giving up ownership of your company. The downside is that's a lot of money and it comes with many strings, so

it's important to understand how those strings work.

## ESSENTIAL IP FUNDAMENTALS

Let's start with the basics: By "IP" we are referring to the four major forms of intellectual property - patents, trademarks, trade secrets and copyrights - along with the contractual pieces that augment these forms (licensing agreements, non-disclosure/non-compete agreements, etc.). At the risk of oversimplifying the definitions of each, patents protect widgets, processes and chemical compositions (inventions); trademarks protect logos and branding (your company's "name," as presented to the public); trade secrets protect your company's "secret sauce" (profit margins, customer lists, and other information you wouldn't want your competitor to know); and copyrights protect expressions (your company's written works and other information reduced to recorded media).

Each form of IP has its own set of requirements to secure IP rights under that form of protection, and the types are not mutually exclusive: A single item can comprise all four forms. For example, computer software object or source code is copyrightable; its analytical aspects (its actual functioning) can be patentable; the know-how and source code itself are likely trade secrets; and the name or logo of the software can be trademarked.

These "IP basics" are greatly complicated by government acquisition and contracting regulations. Again, let's start with the basics - here, government contract law basics with respect to IP. The general rule for government contracting in the DoD world is that when the government funds development of an invention or software, the inventor or software developer retains original IP rights in the invention/software and the government gets a license of some sort, depending on the extent to which the government funds the effort. If the government fully funds the invention, it gains so-called "unlimited rights" to the invention/software.

At the other end of the spectrum, if the inventor/developer develops an invention (or software) with no government funding, the government gains "limited rights" ("restricted rights," for software). In between the two extremes lies mixed government/private funding and "government purpose rights." These three categories make up the "spectrum" of government rights under most federal acquisition regulation (FAR) supplement (generically, "FAR-Supp") rules, supplements for the Department of Energy and NASA being the two notable exceptions (which will not be dealt with here).

## WHAT ARE MY RIGHTS UNDER GOVERNMENT CONTRACT LAW?

Let's look closer at these categories. Limited/restricted rights give the government the same rights as any other commercial customer. The government gains a limited/restricted license to use the invention or software, but it cannot transfer that right and it can only use the invention/software - it can't make it or authorize anyone else to do so. With government-purpose rights, the government can authorize another to make or use the invention/software (i.e., it can transfer and/or delegate its rights), but only for "government purposes" (i.e., use by/for the government).

Finally, with unlimited rights, the government can authorize another to make/use the invention/software - again, certainly for government purposes - but the "jury is still out" as to the extent or if the government

can authorize another to commercialize (i.e., use in the broader non-government markets) an invention or software developed by an inventor/developer on the government's dime.

This question has not faced a court test, yet, but the consensus is that the government can do so when the inventor/developer has not properly marked the invention/software according to FAR or FAR-Supp requirements, to identify actual ownership of the IP.

**Remember: The basic rules of IP still apply, even in government contracts.**

However, the rights afforded by the particular form of IP (copyright, trademark, etc.) vary according to the contract you have with the government (or with a "Big Prime" contractor - a whole other issue, to be dealt with in another article). In each case, you own the IP, but the government gets a license to your IP - the relative strength of that license varies as outlined above. What's the practical upshot of all these rules? First, protecting your IP up front is critical.

To the extent you can develop your invention or software before signing an agreement with the government you should do so.

At the very least, your agreement should recognize your private-fund contributions, so that you enjoy a minimum of government-purpose rights, which provide you more IP rights than unlimited rights. Second, mark any "deliverable" (the thing/service you owe the government under the contract) according to the applicable FAR-Supp, to identify the material as yours. Even if the government has unlimited rights, those rights are not truly "unlimited" - you still retain ownership of the IP, but in cases where the government wants to "give" your IP to another, you can instead grant a limited license to your competitor, limited to the specific purpose of making/using the "deliverable" specifically for the government only. Your competitor would not have the ability to commercialize your invention/software beyond the governmental marketplace, in that case.

## THE GOVERNMENT'S CHOICE

Why would the government with unlimited rights in your IP go down this path? Because it's easier and the government still gets what it needs. Third, ensure your "deliverable" includes only those items/services the government requires under the contract. This is key. In most cases, the government doesn't need your source code, machine, machine tooling or any other collateral pieces you needed to make the deliverable (i.e., the executable software or end-state "widget"); don't give these up by including them in your deliverable suite, and ensure the contract reflects this philosophy, as well.

Beyond these three "musts", here are some general guidelines for each IP area. Don't hesitate to talk to anyone on the Martensen team for more detailed explanations for each of these:

### Patents

- Keep your ideas to yourself before you file: "Disclosures," as defined by the U.S. Patent and Trademark Office (USPTO), can sink your patent even before you file!

- File ASAP - file a provisional patent as a first step (except in extreme circumstances).
- Identify the no-kidding "invention" - the "kernel" of the invention is what's important, and it must be related to why people buy your product (otherwise, why patent it?).
- Document everything related to your invention, and keep clear accounting of your funding source(s).
- Publish (ASAP), if you're not going to file, as a defensive measure to avoid future infringement claims.

## Copyrights

- Mark your work using either the marking guide from the U.S. Copyright Office (USCO) or the applicable FAR-Supp, as appropriate.
- Register any published copyrighted work; mark any government-funded work as an "unpublished work," to the extent it is not published.
- Put "markers" in your work as a Rosetta Stone to identify your work in future infringement actions.
- If your copyrighted work is source code, follow USCO's rules to redact it (unless you're keeping it as a trade secret).

## Trade Secrets

- Know your state's trade secret statutes.
- Identify your company's specific secret(s) and protect them.
- Use non-disclosure agreements (NDAs) and know NDA "best practices."
- Segregate secrets (e.g., nukes and Coke's formula) so that one person doesn't know "the whole story."

## Trademarks

- Choose your mark carefully (because it's you: your company's "face" to the rest of the world).
- Do a thorough mark search (not just local/state).
- Ensure your mark is continuously used in commerce.
- Be vigilant - protect your mark (through thorough, periodic TM/SM searches).

## VALUABLE INSIGHTS FROM A GOVERNMENT CONTRACT ATTORNEY

These suggestions are necessary but not sufficient to fully protect your IP in governmental spheres. That said, they will help you better understand the most common pitfalls associated with government contracts as well as the easiest ways to avoid them. Small, innovative companies will soon be able to take advantage of "undiluted capital" made available by the government - especially DoD - in large quantities within the space and cyber fields.

The important thing is to be able to take advantage of this vast source of funding without stepping on any landmines inherent in such activities. Of course, a comprehensive IP strategy tailored by IP

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