



Intellectual Property Law

Protecting Intellectual Property under U.S. Government Contracts

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Working with the Government

- Type 1
 - Commercially successful; a growing concern independent of the government
 - Sees the government as one of many customers for their product
 - Funding is via commercially available sources – Angels, Venture, etc.
- Type 2
 - Government focused
 - Sees the government as the primary source of funding
 - The government is the primary and sometimes only customer
 - No immediate aspiration to enter the commercial market

Types of Intellectual Property

- Inventions
 - Protected by patents
- Technical data, designs
 - Protected as trade secrets
- Writings, film, video, recordings, software
 - Protected by copyright
- Logos, product names, marks
 - Protected by trademarks

IP Framework

- Contractors retain ownership
- Government retains a license of use
- Key issue becomes –
the scope of the government's right to use

Government's Right to Use

- Depends on
 - Whether the IP is properly protected
 - How the IP is developed
 - Who funded the development
 - If the IP is commercial

Properly Protecting Your IP

- Government contracts that involve development are supposed to, and usually do, contain a “Patent Rights” clause.
- The clause covers subcontractor inventions as well as prime contractor inventions.
- Under current federal law & patent policy, the default allocation of rights in patentable inventions is that
 - The inventor (contractor) retains ownership
 - The government gets a worldwide, nonexclusive, royalty-free license

Protecting Your IP cont.

- The contractor is required to report subject inventions within specified time limits.
- Failure to report can lead to the forfeiture of rights.
- The government also has “march-in” rights if the contractor fails to file for patent protection at all, or in particular countries.

What is a subject invention?

- A “subject invention” is a patentable discovery conceived **or** actually reduced to practice in performance of work under the contract.
 - “*Patentable*” -- After some earlier uncertainty, it is now accepted that software can be patentable where the logic it embodies is combined with a machine to achieve a desired result.
 - “*Conceived*” – The gaining of insight or the solution to a problem
 - “*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 the Contract”

This can be tricky. Observe the following considerations:

- *Timing of conception or reduction to practice.* If the key event occurred *before* the contract was entered – especially if this can be documented – it is not a subject invention.
- *Does the SOW call for development or just delivery of an item?* For manufacturers, it is frequently possible to avoid the use of “development” language and the Patent Rights clause itself.

“In Performance of the Contract”

- *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.

“In Performance of the Contract”

- *Was the inventor assigned to the client team? Was the development effort charged to the contract?*
- If the development effort was segregated from the client project and not charged to the client, it should not be considered a subject invention. However, it should not be assumed that an invention’s status can be changed after the fact by deciding not to charge a client for a particular piece of work that was contemporaneously treated as part of the client project.
- If a company contemplates use of a particular new technology for multiple clients and wishes to avoid a “subject invention” government license, it may be worth organizing the effort as independent research & development (IR&D), which is not charged to the customer. If this is determined before the project begins, the arrangement should be documented in the engagement agreement.

Consequences of Having a Subject Invention

- The company retains ownership and the invention remains freely exploitable for non-government work.
- The company would be precluded from later charging the government a patent royalty for the subject invention. But . . .
 - The invention can still be used in government deliverables.
 - Later improvements and extensions (whether patentable or not) are not covered by the automatic license.
- The government is not good at managing a patent rights portfolio; the fact that it has a contractual right does not mean that it will be exercised.

Contractor Obligations with Respect to Patents

- Report subject inventions within 60 days after they are reported to patent counsel or patent department
 - Title is subject to forfeiture for noncompliance
- File applications in relevant jurisdictions
 - Government march-in rights
- No grant of exclusive license without commitment to manufacture in the US

Patent “Infringement” by the Government or its Contractors

- The Patent Act authorizes the federal government to practice US patents. Consequently,
 - Neither the government nor contractors which it *requires* to practice a patent are infringers, and
 - The government cannot be enjoined from infringing.

Technical Data (Trade Secrets)

- Government rights
 - Unlimited rights to use technical data that relates to items, components, and processes developed at public expense
 - Even where funding is mixed, the government will get either unlimited rights or a broad, government-purpose license
 - Only limited rights in items developed at private expense, which do not include the right of manufacture

Procedural Requirements

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

Time for Reporting

- A subject invention must be reported in writing to the government Contracting Officer within the *earlier* of. . .
 - 2 months after the inventor discloses it in writing to persons responsible for patent matters. . .
 - 6 months after the company (*i.e.*, the inventor) becomes aware that a subject invention has been made

Form of Report

- There is no single government-wide invention reporting form.
 - All Defense Department components use a standard form known as the DD 254.
 - Some other agencies have their own prescribed forms, which can be obtained from the Contracting Officer or the agency website.
- Before submitting a report, ascertain whether the customer has a prescribed or preferred format.

Consequences of Failure to Report

- If the government learns that the contractor has failed to timely report a subject invention, it has 60 days in which it can demand transfer of title in the invention.
- In the event of transfer for failure to report, the contractor does not automatically receive even a license back. If title is forfeited, the company can attempt to negotiate a license back.

When Inventions Are Recognized Belatedly

- If a subject invention is recognized as such more than six months after conception or actual reduction to practice, L&C patent counsel must be consulted to determine appropriate action. Potential actions include, but are not limited to:
 - Filing a late report
 - Determining that a timely report can still be filed, if, for example, the company initially did not recognize that the innovation was patentable.



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Protecting Your Rights

Develop at Private Expense

- 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

Provide Notice Before Award

- Solicitation clauses require offeror to notify the government of any data/software expected to be delivered with less than unlimited rights
- Submit as attachment to proposal
- Review all data & software
- Includes data/software from subs/suppliers

Mark Data and Software

- Ensure every copy of data and software provided to the government bears the prescribed legend (proposal data, too!)
- Wording depends on type of item/software and level of rights claimed
- Software: mark software document, container, and each page of printed material
- Software: legend must be transmitted where software copied to different computer
- If legend inadvertently omitted, request CO to apply notice w/in 6 months of delivery

Conclusion

- The government protects the government's rights
- Know the rules and the requirements
- Consider the implications of failing to act
- Seek advice

The logo features the name 'MARTENSEN' in white, uppercase, sans-serif font on a dark blue rectangular background. To the right of the text is a stylized 'IP' monogram in a lighter blue color, with a small red square at the top right corner of the 'P'.

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