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Intellectual Property Considerations

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From Science and Technology... Security and Trust



Homeland Security



Intellectual Property Basics

- Various statutes, regulations and Executive Orders, including the FAR, establish the Civilian Agencies' processes for acquiring rights in Intellectual Property developed or delivered under a contract.
- In general, the contractor retains title to the Intellectual Property, and the Government receives a nonexclusive license to use the Intellectual Property.



Standard Patent Rights

- Contractor may elect to retain title
- Government obtains a non-exclusive license
- Contractor must pursue patent application or potentially forego rights to the Government
- March-in Rights
- Domestic Manufacture

Patent Rights (continued)

- Notice of invention (agency monitors)
- Title election
 - Large / for profits = 8 months for the 12 Clause
 - Small/non-profits = 2 years for the 11 Clause.
- Government license to use invention on its behalf.
- Contractor must file patent on invention – no ability to retain as trade secret.

Patent Rights (continued)

Contractor's use of another entity's patent:

- 28 U.S.C. § 1498(a)
- Blocks injunctive relief if contractor's use is for the government
- COFC Suit for damages

Patent Rights (continued)

- Authorization & Consent
 - Clause says “Contractor we authorize you to use any US patent”
 - Must tell us if anyone sues you
- Patent Indemnity
 - Contractor may still have to pay for infringing use of that patent

Standard Data Rights

- *Exclusively with federal funds*
 - Unlimited rights
- *Exclusively at private expense*
 - Limited rights
 - Restricted Rights
 - Not delivering the Data
- *Other rights are negotiable*
 - Government Purpose Rights
 - Specially negotiated license rights
 - Require a deviation

Data Rights (continued)

The license depends on whether the data is

Noncommercial or Commercial

- **Noncommercial Technology.** A standard set of license rights that are categorized according to the parties' relative financial investments in the development of the underlying technology.
- **Commercial Technology.** When acquiring commercial technologies, DHS normally receives only those deliverables and associated license rights that are generally given to a commercial customer of the contractor.



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Exceptions

The DHS may always disclose Data to persons outside the Government if:

- **The disclosure or use is necessary for :**
 - **Emergency repair and overhaul; or**
 - **Use by a foreign government that is in the interest of the United States and is required for evaluation or informational purposes.**
- **For limited (restricted) rights, such disclosure is subject to a prohibition that the person to whom the Data is disclosed may not further disclose the Data.**
- **For limited (restricted) rights, the contractor is notified prior to its disclosure.**



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Acquisition Planning Goals

- Preference for Nondevelopmental or Commercial
 - Cost-sharing for development (DHS funds adaptation)
 - Cost spreading for support/upgrade (consumer market)
- Total Lifecycle Costs
 - Operation, maintenance/support
 - Production
 - Upgrade and Technology Refresh/Insertion
- Keep up With the Pace of Technology – use commercial timelines
- Source Selection & Contract/Agreement formation
 - IP impact on Cost
 - IP impact on technical risk (integration, interoperability, etc)
- Mandatory Listings -- Noncommercial Data
- Supplemental Listings --
 - Commercial Technical Data and Computer Software
 - Background Inventions

Proprietary Information in Acquisitions

- Pre-Contractual
 - Source Selection
 - Procurement Integrity – FAR 3.104
 - Handling of bids and proposals – FAR 15 generally
 - Unsolicited Proposals – FAR 15.6
 - Extra-contractual vs. Implied-in-fact contract
- Post-Contractual
 - DeliverABLES; DeliverED or otherwise provided

Considerations for Negotiating Special License Rights

- *Negotiate for the minimum rights that are NEEDED*
 - *This can be done under the scheme that already is in place or with a deviation.*
 - *DHS is rewriting the HSAR to cover certain circumstances so that a deviation is not necessary.*
- *What may initially appear to be a license-rights issue may actually be solved by:*
 - *modifying the IP deliverable requirements,*
 - *following the FAR guidance concerning source of funding determinations at the lowest practicable level, and/or*
 - *verifying whether the data/software should be treated under either the commercial rules or the non-commercial rules.*



When is a Specially Negotiated License Appropriate?

Is there a need for a special license?

Delivery options (Restricting deliverables to what is needed)

- Segregating key proprietary elements – "black box"
- Government Purpose Rights may be appropriate because unlimited rights aren't always necessary or needed.
- Limiting the rights to a specific program or time frame.

Specialized License Rights

Different Types of Licenses

- Establishing Special Escrow Arrangements
 - Usually to maintain source code and/or code control on executable code
- Permitting a different rights scheme (must be accompanied with special restrictive markings)
- Using the contractor's typical customer license
- Special data library maintained by the contractor

Deliverable Issues

- DHS will try to require only what is needed
 - Example: Form, fit, and function data
- Inspection at contractor's facility (FAR 52.227-14)
- Remote access via internet
- Long-term partnering for support, upgrade
- Compete support as part of initial award
- Third-party Escrow
 - Escrow period
 - Conditions for withdrawal by Govt.
 - Payment of escrow fees

Deliverable Issues

3 Key Elements in Specifying Deliverables

- Content (e.g., level of detail, or nature of info)
Other examples: form-fit-function vs. detailed Technical Data; source code vs. the executable code
- Recording/storage format (e.g., image file vs. CAD-CAM)
- Delivery medium (e.g., paper or hard-copy; digital media, remote access)

Restrictive Markings

- Restrictive markings or notices play a central role in many forms of IP.
- Especially for Trade Secret protection, it is critical that the owner take reasonable steps to keep something a trade secret.
 - Primarily preserved with restrictive markings
- Restrictive markings are either required or permitted on all forms of delivered data.
- The specific format and content of these markings depends on whether the technical data or software is noncommercial or commercial.

Restrictive Markings

6 Authorized Markings

- A notice of copyright under 17 U.S.C. 401 or 402
- The limited rights legend
- The restricted rights legend
- Pre-existing markings authorized under a previous Government contract
- Perhaps a GPR legend or special license rights legend, if authorized
- ✓ The FAR clauses or Contract specify the precise wording of the legends.
- ✓ Any alterations of the prescribed content or format result in the marking being considered “nonconforming.”

Trade Secrets Act

- 18 U.S.C. §1905: Disclosure of confidential information

What is prohibited?

" ...publishes, divulges, discloses, or makes known in any manner or to any extent *not authorized by law* ...

"or permits . . . to be seen or examined by any person except as provided by law



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