

# Intellectual Property and Data Rights



Certification Training



Knowledge Sharing



Continuous Learning



Mission Assistance



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# AGENDA

- Types of Intellectual Property
- Data Rights Overview
- Government Rights in IP and Data
- Intellectual Property in Acquisition
- Hot Topic
- Other Issues
  - Markings
  - Open Source



# INTELLECTUAL PROPERTY (IP) DEFINED

- Intellectual Property (IP) describes the ownership of the product of creative ideas or creative means of expressing ideas.
  - rights formally recognized and created by:
    - Copyrights
    - Patents
  - Rights recognized or created less formally, as by asserting and maintaining ownership of secret information
- Federal Statute (Art. 1, Sec 8, U.S. Constitution) states that Congress has the power, “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;”

**INVOLVE AN IP LAWYER AS EARLY AS  
POSSIBLE IN THE ACQUISITION  
PROCESS**



# TYPES OF IP





# WHAT IS A PATENT?

- A patent for an invention is the grant of a property right to the inventor, issued by the U.S. Patent Trademark Office (PTO).
- “the right to exclude others from making, using, offering for sale, or selling” the invention in the U.S. or importing the invention into the U.S.
- Types of patents include:
  - Plant (new rose bush) Governed by 35 U.S.C Sec 161-164
  - Design (new design) Governed by 35 U.S.C. Sec 171-173
  - Utility (new and useful purpose, machine, manufacture, composition of matter, any new and useful improvement thereof) Governed by 35 U.S.C. Sec 100-157



## WHAT IS A COPYRIGHT?

- Copyright laws give the author of the original work the exclusive right to (17 U.S.C 106):
  - Reproduce the copyrighted work
  - Prepare derivative works based upon the original work
  - Distribute copies of the work to others
  - Perform the work in public
  - Display the work in public



# WHAT IS A TRADE SECRET?

- Information that “(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” (Uniform Trade Secrets Act (UTSA) Sec 1(4))
  - Information can be virtually any type, including “a formula, pattern, compilation, program, device, method, technique, or process.” (USTA Sec 1(4))
  - Examples of Trade Secrets include the formula for Coca-Cola® and the recipe for Mrs. Fields® Chocolate Chip cookies



# WHAT LAWS GOVERN TRADE SECRETS?

- There is no constitutional authority, so very little federal law exists.
- Two federal acts related to trade secrets:
  - It a crime to steal trade secrets (18 U.S.C. 1813)
  - It a crime for Federal Government employee to release confidential or proprietary information gained during the course of employment (18 U.S.C 1905)
- No federal law exists permitting inventors' to sue those who misappropriate their property
- States have developed various laws permitting private tort suits dealing with misappropriation of trade secrets
- Uniform Trade Secrets Act (UTSA) currently utilized by 47 states.



# HOW DO YOU PROTECT TRADE SECRETS?

- Trade secret litigation usually centers on whether the company seeking protection took reasonable measures to keep the information secret
- The trade secret owner, to retain trade secret protection, must disclose information as a trade secret to the recipient who agrees to keep the information confidential
- No limits exist on how long a trade secret lasts
  - Duration depends only upon how long it remains secret and retains value



# WHAT IS A TRADEMARK?

- Trademarks allow manufacturers and service providers to use (and restrict others from using) marks that distinguish their goods or services from the goods and services of others (15 U.S.C. Sec 1127).
- Trademarks protect a company's goodwill and enable customers to be sure they are receiving a certain quality of good or service.
- Examples are:
  - Trademarks (Coke);
  - Service marks (Jiffy Maid);
  - Collective marks. Used by members of an organization or group to distinguish their products or services from non-group members (PGA);
  - Certification marks. Used to show the product or service meets certain characteristics or function levels (Underwriters Laboratories).



# Data Rights Overview



# DATA RIGHTS OVERVIEW

## Issues with Data

- Competition
- Long term cost to the Government
- Difficulties in planning for future unknowns

## Directive for Better Buying Power

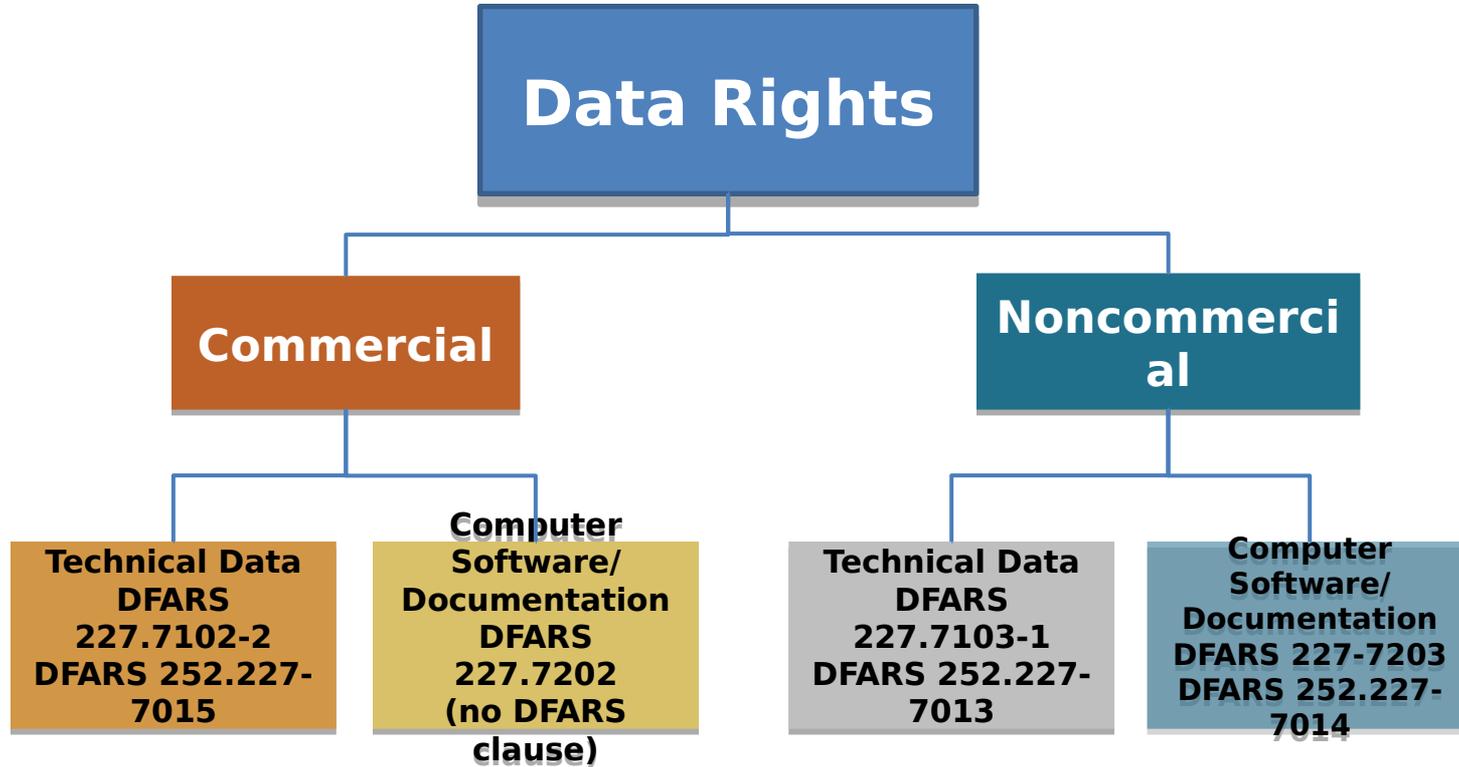
- Require open systems architectures, set rules for acquisition of technical data rights, business case analysis presented at MS B

Analysis must outline open systems architecture approach, combined with technical data rights the government will pursue in order to ensure a lifetime consideration of competition in the acquisition of weapon systems



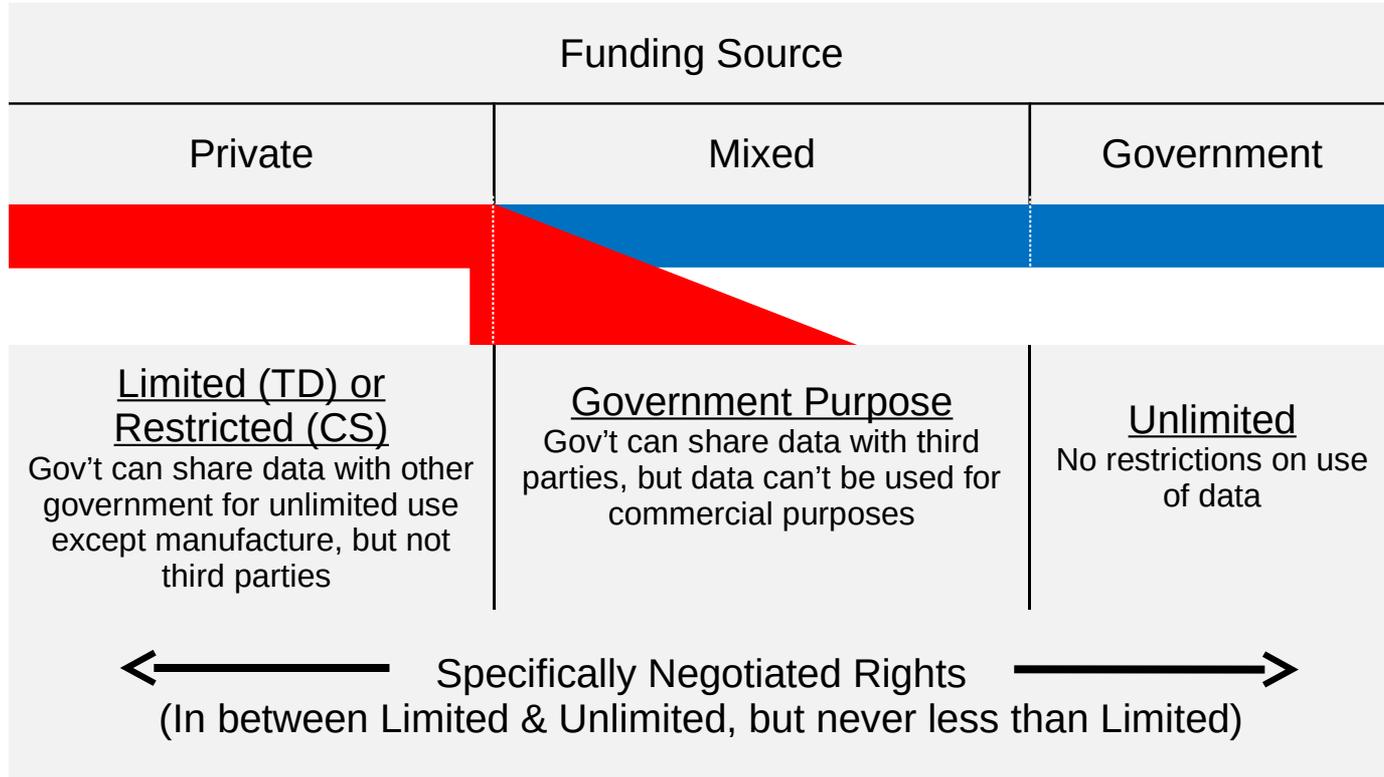


# THE ROAD MAP





# RIGHTS IN TECHNICAL DATA AND COMPUTER SOFTWARE



Unlimited Rights always apply to Form, Fit, Function (FFF) data; Operational, Installation, Maintenance, & Training (OMIT) data; and Computer Software Documentation.



# GOVERNMENT RIGHTS IN TECHNICAL DATA

- The amount of rights the government obtains in technical data often depends upon who funded the item to which that data relates.
- This funding determination is made at the lowest level possible (e.g., tank engine or tank turret versus tank).
  - DFARS 227.7103-4(b) Technical Data; DFARS 252.227-7013 (a)(7)(i) Computer Software and Computer Software Documentation.



# Unlimited Rights

## Unlimited Rights

- The Government obtains "unlimited rights" if the technical data pertains to an item or process developed exclusively with Government funding. 10 U.S.C. § 2320(a)(2)(A); DFARS 227.7103-5(a); DFARS 252.227-7013(b)(1).
- Unlimited Rights means the government may “use, modify, reproduce, perform, display, release, or disclose” the data to anyone and for any purpose. 10 U.S.C. § 2320(a)(2)(A); DFARS 252.227-7013(a)(15).



# Limited Rights

- The Government obtains “limited rights” if the data pertains to an item or process developed exclusively with private funding. 10 U.S.C. § 2320(a)(2)(B); DFARS 227.7103-5(c); DFARS 252.227-7013(b)(3).
- The Government may “use, modify, reproduce, perform, display, release, or disclose” the data only within the Government except that the Government may release to another if “necessary for emergency repair and overhaul.”
  - 10 U.S.C. § 2320(a)(2)(B) and (D); DFARS 252.227-7013(a)(13).



# Government Purpose Rights

- The Government obtains “government purpose rights” if the data pertains to an item or process with both Government and private funding. 10 U.S.C. § 2320(a)(2)(E); DFARS 227.7103-5(b); DFARS 252.227-7013(b)(2).
- Government Purpose Rights means the government may “use, modify, reproduce, perform, display, release, or disclose” the data within the Government or may release or disclose such data to someone outside the Government so long as the recipient uses the data for Government purposes. DFARS 252.227-7013(a)(11).



# Negotiated Rights

- The Government and the contractor may modify these predetermined levels of rights so long as the Government receives no less than limited rights in the data. 10 U.S.C. § 2320(a)(2) and (c); DFARS 227.7103-5(d); DFARS 252.227-7013(b)(4).



# BID/PROPOSAL DATA RIGHTS

- For information furnished to Government by Contractor during source selection/competition
  - Government can reproduce/disclose/use the bid/proposal information only for evaluation of proposal
  - After contract award, use bid/proposal information according to appropriate DFARS rights categories
  - Submission of bid/proposal acts as permission to use
- For information furnished by Government to Contractor for bid/proposal
  - Use, modification, reproduction, release, performance, display, or disclosure
    - According to appropriate DFARS rights categories
    - Subject to restrictions, if any, imposed by developer/licensor of such information
- For information contained in bid/proposal that was released to Government without restriction (other than by sale, transfer, assignment of business assets)
  - Government can use, modify, reproduce, release, perform, display, or disclose information
  - Can permit others to do so
- Otherwise
  - Only within the Government
  - Outside the Government -- with Contractor's written permission
- When in doubt, notify Contractor as to what information/why need to disclose to determine if there are any objections



# PROPRIETARY RIGHTS

In the private arena, proprietary information derives value from not being known outside the company

Others can derive value from its improper disclosure or use

## Includes

Formula, pattern, compilation, program, device, technique, process, method, designs, schematics, specifications, know how, technical data, computer software, software documentation, manuals, etc. Also labor rates, cost and pricing data, business plans, customer and supplier lists, financial/administrative/management data, etc.

Controlled by a company to safeguard its competitive edge

## Physical protection

Contractor trains its employees how to handle/safeguard company information

Access to information is limited via employee badges, locked doors/cabinets, vaults, security personnel, visitor badges, signing in/out of an area

Mark material as proprietary, business confidential, company private, etc. to identify and provide notice that data is protected

## Contractual protection

Confidentiality agreements

Non-disclosure agreements

Non-competition agreements

IP assignment agreements (transferring ownership of IP rights from employee to contractor)

## Private arena/Contractor

Contractor does not distinguish its business confidential data from IP

Everything gets marked “proprietary”



# PROPRIETARY RIGHTS (CONT)

## Government

- DFARS does distinguish between business data and IP

- DFARS requires different markings for each

- Government rights/protection obligations differ for each

## DFARS proprietary data

- Includes business data, financial data, contract administration data

  - For example, labor rates, overhead, customer lists, supplier lists, contact information, selling strategies, production methods, business plans

- Such items are appropriately marked “proprietary”

- Not to be shared outside the Government without permission of owner

## DFARS IP

- Includes technical data, computer software, software documentation, manuals, reports, other scientific/technical data

- Such items are appropriately marked with DFARS IP license rights legends (unlimited, government purpose, limited, restricted, etc.)

- License rights determine use and sharing outside government

## Government generally shares proprietary/IP data with SETA employees

- SETAs have signed government nondisclosure agreements to protect this data

- Contractor may require SETA individuals to also execute contractor NDA/PIA

The Government’s duty to protect data is based upon these rights categories, so be sure that each type of data is appropriately marked



# HOW IS PROTECTION OBTAINED?

## Data List

- In its offer, a contractor must develop a listing of all data that it will submit to the Government and in which the Government will not receive unlimited rights. This listing is included in the awardee's contract. The contractor must deliver any data not included on this listing with unlimited rights unless it obtains the Government's permission to add the data to this listing. DFARS 227.7103-3(b) and (c); DFARS 27.7103-10(a)(1) and (3); DFARS 252.227-7013(e)(2) and (3); DFARS 252.227-7017(c).



# GOVERNMENT CHALLENGE OF ASSERTED RESTRICTIONS

- Any contract that entails delivery of technical data will include the "Validation of Restricted Marking on Technical Data" clause.
  - If the KO disagrees with asserted restrictions, a written notice is provided to the contractor challenging the restriction
  - If the contractor fails to respond within 60 days or responds, but does not justify the asserted restrictions, the KO issues a final decision indicating determination that the Government has unlimited data rights.
  - However, Gov must abide by the asserted restrictions for 90 days after final decision. (Gives contractor time to file suit.)

# INTELLECTUAL PROPERTY IN ACQUISITION



Data Rights can be crucial in total life cycle management of weapons systems.  
Appreciation of this sometimes only comes long after initial contracting.  
Data Rights laws are complicated.  
Careful attention to Data Rights issues during Data and Requirements Development is critical.



## FY 2007 NDAA, SECTION 802 ADDITIONAL REQUIREMENTS RELATING TO TECHNICAL DATA RIGHTS

10 U.S.C. § 2320 is amended by adding at the end the following new subsection:

“(e) The Secretary of Defense shall require program managers for major weapon systems and subsystems of major weapon systems to assess the long-term technical data needs of such systems and subsystems and establish corresponding acquisition strategies that provide for technical data rights needed to sustain such systems and subsystems over their life cycle. . . . Assessments and corresponding acquisition strategies developed under this section with respect to a weapon system or subsystem shall—

“(1) be developed before issuance of a contract solicitation for the weapon system or subsystem; “

(2) address the merits of including a priced contract option for the future delivery of technical data that were not acquired upon initial contract award;

“(3) address the potential for changes in the sustainment plan over the life cycle of the weapon system or subsystem; and

“(4) apply to weapon systems and subsystems that are to be supported by performance-based logistics arrangements as well as to weapons systems and subsystems that are to be supported by other sustainment approaches.”.



The AoA is an early analyses of the different possible solutions to a validated capability requirement within the DoD.

IP and data rights currently held by the government and the cost of acquiring additional IP and data rights should be part of the decision making process leading to a Material Development Decision (MDD), and an Acquisition Strategy.



# ACQUISITION STRATEGY

## The Acquisition Strategy

A comprehensive, integrated plan that identifies the acquisition approach, and describes the business, technical, and support strategies that will be used to manage program risks and meet program objectives

Should define the relationship between the acquisition phases ,work efforts and key program events

Examples: decision points, reviews, contract awards, test activities, production lot/delivery quantities, and operational deployment objectives

Also defines the approach to provide maximum practicable opportunities to small business

Includes small disadvantaged business, women-owned small business, veteran-owned small business, service-disabled small business and Historically Underutilized Business Zones

Should establish the requirements for each phase, and identify the critical management events

Should include a Top Level Integrated Schedule and a summary of highlights from the IMS and IMP

## “Living document”

Guides program execution across the entire program life cycle

Evolves over time - continuously reflect the current status and desired end point of the program

**Note: The Technology Development Strategy (TDS) is the program strategy document for the Technology Development (TD) phase**



# Anticipate Needs for IP & Data Rights

- A Program Manager must ensure that all TD and CS and related license rights required for procurement and sustainment of a system are available throughout the system's life cycle.
- Sustainment activities include:
  - re-procurement,
  - Maintenance and repair,
  - Modifications or interfacing/interoperability
  - Upgrades or technology insertion.
- Consider a Priced Option for any data deliverables or data rights that you may need in the future, but did not order up front.



# DATA RIGHTS IN THE RFP AND SOURCE SELECTION PROCESS

Data rights need to be a key part of source selection process.

Venders have the option of what rights they bring to any contract.

Vender have the option of how they cost IP and data rights.

Validate markings and accessions



# Cost Analysis

A Program Manager must ensure that all TD and CS and related license rights required for procurement and sustainment of a system are available throughout the system's life cycle.

- Sustainment activities include re-procurement, maintenance, repair, modifications or interfacing/interoperability activities, and upgrades or technology insertion.
- **Consider a Priced Option** for any data deliverables or data rights that you may need in the future, but did not order up front.



## Monitor and Police Data and Data Rights Issues After Contract Award

- Review all delivered data and software for proper markings and technical content
- Monitor contract performance to ensure that all development work that should be done within scope is executed under the contract



DoD policy is to use portfolio management to minimize redundancy in the development of **similar systems**

The DoD and the services also need to manage the government's data rights in different technology and with specific vendors to minimize paying more than once for IP and data rights.

This requires specific and detailed reporting of IP and data rights, and sharing this data across programs, and organizations.



# HOT TOPIC / COMMENSAL SOFTWARE



## BACKGROUND

In days of yore, contractors used private funding to develop commercial software. But times have changed. And, especially during tough economic periods (like now) when contractors seek additional ways to bring in revenue, it is not unusual for contractors to look at a government developed software capability to determine whether it can be successfully marketed to the public. Generally the software cannot be used in the form in which it was delivered to the government so the contractor modifies the software and - *voilà* - a commercial software product is born. The software is offered to the general public and the government under a commercial software license. It goes without saying that a license fee is charged for the use of this commercial software - even when the software is licensed to the government.



## SCENARIO

Contractor develops a facial recognition software capability for use on Platform A, as specified by Program Alpha. It then modifies the software (which was developed with government funding) so that it operates on platform B and offers it as commercial software. Program Beta uses Platform B and wishes to acquire a facial recognition capability.



# FAR 2.101

“Commercial item” means --

(1) Any item, other than real property, that is of a type customarily used by the general public or by non-governmental entities for purposes other than governmental purposes, and--

(i) Has been sold, leased, or licensed to the general public; or,

(ii) Has been offered for sale, lease, or license to the general public;

(2) Any item that evolved from an item described in paragraph (1) of this definition through advances in technology or performance and that is not yet available in the commercial marketplace, but will be available in the commercial marketplace in time to satisfy the delivery requirements under a Government solicitation;

(3) Any item that would satisfy a criterion expressed in paragraphs (1) or (2) of this definition, but for --

(i) Modifications of a type customarily available in the commercial marketplace; or

(ii) Minor modifications of a type not customarily available in the commercial marketplace made to meet Federal Government requirements. Minor modifications means modifications that do not significantly alter the nongovernmental function or essential physical characteristics of an item or component, or change the purpose of a process. Factors to be considered in determining whether a modification is minor include the value and size of the modification and the comparative value and size of the final product. Dollar values and percentages may be used as guideposts, but are not conclusive evidence that a modification is minor;

(4) Any combination of items meeting the requirements of paragraphs (1), (2), (3), or (5) of this definition that are of a type customarily combined and sold in combination to the general public;

(5) Installation services, maintenance services, repair services, training services, and other services if--

(i) Such services are procured for support of an item referred to in paragraph (1), (2), (3), or (4) of this definition, regardless of whether such services are provided by the same source or at the same time as the item; and

(ii) The source of such services provides similar services contemporaneously to the general public under terms and conditions similar to those offered to the Federal Government;

(6) Services of a type offered and sold competitively in substantial quantities in the commercial marketplace based on established catalog or market prices for specific tasks performed or specific outcomes to be achieved and under standard commercial terms and conditions. For purposes of these services--

(i) “Catalog price” means a price included in a catalog, price list, schedule, or other form that is regularly maintained by the manufacturer or vendor, is either published or otherwise available for inspection by customers, and states prices at which sales are currently, or were last, made to a significant number of buyers constituting the general public; and

(ii) “Market prices” means current prices that are established in the course of ordinary trade between buyers and sellers free to bargain and that can be substantiated through competition or from sources independent of the offerors.

(7) Any item, combination of items, or service referred to in paragraphs (1) through (6) of this definition, notwithstanding the fact that the item, combination of items, or service is transferred between or among separate divisions, subsidiaries, or affiliates of a contractor; or

(8) A nondevelopmental item, if the procuring agency determines the item was developed exclusively at private expense and sold in substantial quantities, on a competitive basis, to multiple State and local governments.



## QUESTION 1

Can Program Beta, which uses Platform B, license the facial recognition software that was written to operate on Platform B and is offered under a commercial license?



# ANALYSIS

The FAR allows commercial software to be licensed

Verify the facial recognition software is commercial

Is the software used by non-government or public entities for non-government purposes?

Yes, facial recognition capabilities can be used by law enforcement to look for known or suspected criminals, by financial institutions or retail stores to allow employees to enter before/after business hours, can be linked to Facebook, etc.

Is it offered for sale, lease or license or is it sold leased or licensed to the general public

Yes, it is advertised and available online

The software is commercial and the program can purchase a license



Should Program Beta license the commercial facial recognition software which will operate on Platform B, the platform used by Program Beta, or should Program Beta use Program Alpha's facial recognition software which operates on Platform A and which the government can use at no cost since it was developed using government funding?



## ANALYSIS

Possibility 1 -- Program Alpha's free facial recognition software operates on Platform A, a different platform than Program 44 uses. It would require \$1111 K to modify the software to operate on Platform B and would take 16 months.

Possibility 2 -- Program 44 could spend \$888 K to replace the current Platform B hardware with Platform A hardware so that the free Program Alpha facial recognition software could be used. Replacing the hardware would take 6 months. Retraining the operators requires 2 months and costs \$35 K



## ANAYSIS (CONT)

Possibility 3 -- Program B could decide not to use Program Alpha's free facial recognition software and instead license the commercial facial recognition software, which has a license fee of \$200 K per year, but will operate on Platform B as soon as it is installed.

Consider all costs and benefits related to each possibility  
Make a decision based on what is better for the program



## THE 800 POUND QUESTION IN THE ROOM

Is there an issue – ethical or otherwise – with taking a commercial software license for software that is an identical or modified version of software that was developed using government funding and which the government already has a right to use?



## 800 POUND ISSUE ANALYSIS

The FAR provides no guidance for this particular issue  
A contractor owns software that is developed using  
100% government funding

The contractor/owner can choose to commercialize  
software without first obtaining the government's  
permission to do so

The FAR /DFAR provides a definition of what  
constitutes a commercial item



# 800 POUND ISSUE ANALYSIS (CONT)

The commercial item definition does not specify that private funding is required for an item to be commercial nor does it indicate that government funding will prevent an item from being commercial. Until the regulations change, an item is commercial if it meets the requirements set forth in the current FAR definition.

While a program is encouraged to use commercial items, it can choose not to do so.

Bottom Line – it's up to the program.



QUESTIONS?

# Other Issues



# PROCEDURES UNDER GOVERNMENT CONTRACTS

- Notice of Invention
  - Contractor must timely notify the Government when they become aware of an invention that they either conceived or reduced to practice under a Government contract which they believe may be patentable. 35 U.S.C. § 202(c)(1); FAR 52.227-11(c); FAR 52.227-12(c); FAR 52.227-13(e).
    - This puts the Government on notice that it needs to monitor the contractor to ensure the contractor proceeds diligently.
- Election of Title
  - After notification, contractor must decide if they want to retain title. FAR 27.302(b)
- Government License
  - If the contractor retains title, the Government is granted a "nonexclusive, nontransferable, irrevocable, paid-up license" to use the invention or to have someone else use the invention on behalf of the Government. 35 U.S.C. § 202(c)(4); FAR 27.302(c); FAR 52.227-11(b); FAR 52.227-12(b); FAR 52.227-13(c)(1).

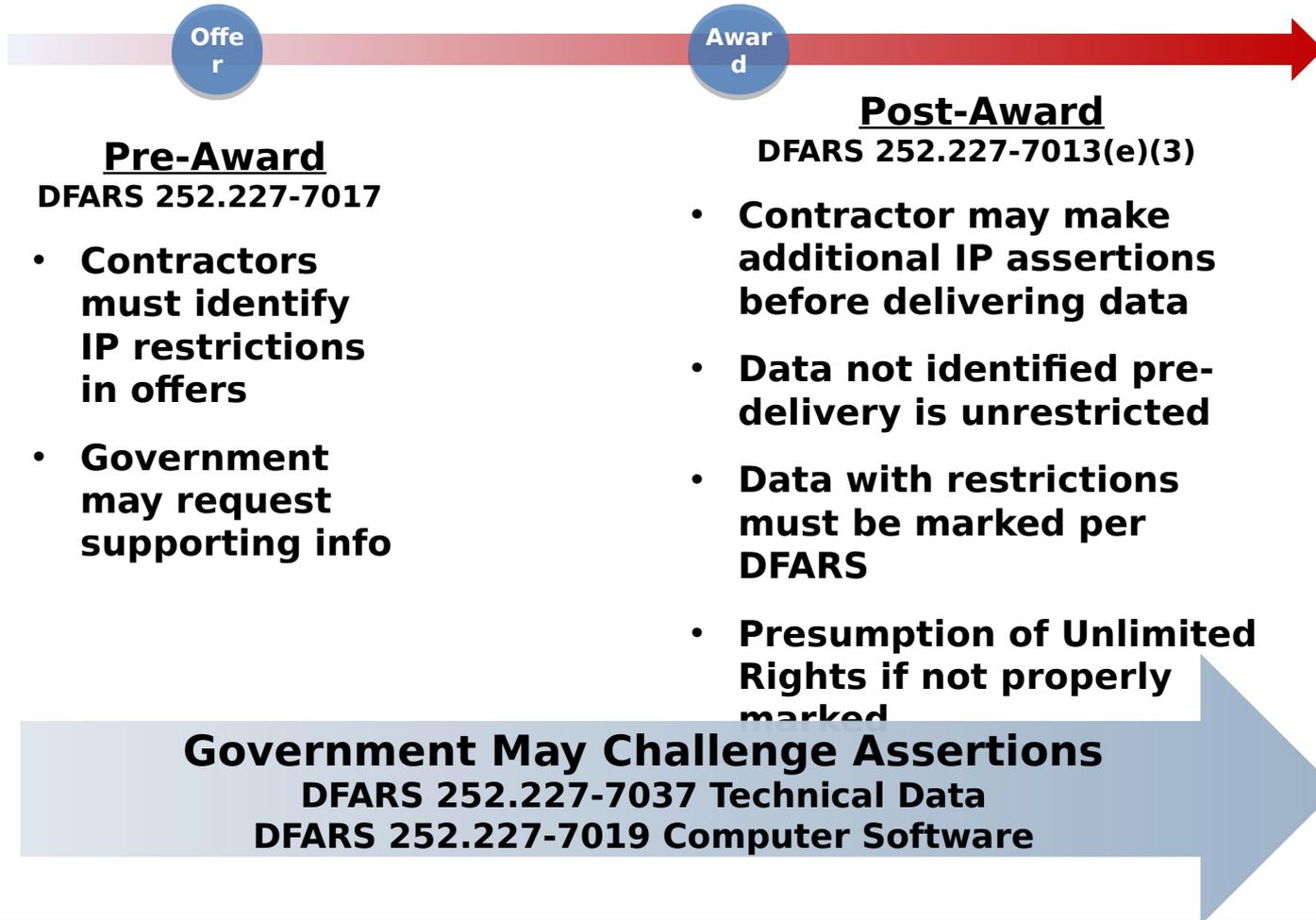


# Use Of Third-party Patents In A Government Contract

- Authorization and Consent, and Notice
  - The FAR mandates inclusion of an "Authorization and Consent" clause and a "Notice" clause in all government contracts in which performance and/or delivery occur inside the United States. FAR 27.201-2(a)(1); FAR 27.201-2(b).
  - With these clauses in the contract, the contractor is authorized to use any invention covered by a U.S. patent.
- Indemnification and Waiver
  - The fact that the Government authorizes a contractor to use a third-party's invention, does not settle who is ultimately liable for any compensation the Government pays that third-party.



# MARKINGS AND VALIDATIONS





# DATA MARKING

- When the contractor delivers data to the Government, it must mark each piece of data on which it asserts restrictions with a marking or legend indicating the level of rights it believes the Government should have in the data.
- This marking is placed on the transmittal sheet and each page of the printed material containing the technical data for which the contractor is asserting restrictions.
- The DFARS prescribes the “legends” or markings that must be used. DFARS 252.227-7013(f)



## OPEN SOURCE

Open source provides opportunities to DoD programs to use non-developmental code for a wide range of applications

### Issues

- Open source is not free

- Open source is not tested the same way developmental code is tested

- Open source does require licenses

- “Copyleft” issues



# DFARS “RIGHTS” CLAUSES

- 252.227-7013 - Technical Data
- 252.227-7014 - Computer Software
- 252.227-7015 - Commercial Items (Technical Data)  
[No clause for commercial software]
- 252.227-7017 - Contractor IP assertions of less  
than unlimited rights
- 252.227-7019 - validation of IP assertions related to  
computer software
- 252.227-7037 -- validation of IP assertions related to technical  
data
- 252.227-7026 - Deferred Delivery
- 252.227-7027 - Deferred Ordering