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Demystifying Intellectual Property and Data Rights: Government and Industry Perspectives

Tim Ryan, U.S. Army RDECOM-ARDEC, Chief, Technology Transfer & International Cooperation

Picatinny Arsenal, NJ

&

Carlton Chen, Colt Defense LLC Vice President, Business and Regulatory Affairs West Hartford, CT

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Note: The view expressed here are those of the speakers and do not necessarily reflect the views of their employers.





TOPICS FOR DISCUSSION



- Why IP and Data Rights Are Important for the Government and Industry
- Types of IP and Key Definitions
- Range of IP Rights and Criteria for Applying Protection
- Asserting IP Rights
- **Gamma** FAR/DFARS Provisions
- Non-FAR Agreements
- Practical Examples
- References/Contacts/Concluding Remarks





The term "Intellectual Property" means patents, copyrights, trademarks, and trade secrets.

In dealing with IP rights, the Government has promulgated policies and regulations on patents, copyrights, technical data, and computer software





Government Perspective

- Part of acquisition strategy for life-cycle sustainment of DoD Systems
- Enables competition
- Protection against paying again for what the government already has rights to use

Industry Perspective

- Valuable form of intangible property that is critical to the financial strength of a business
- Maintains competitive advantage
- **D** Enables return on investment and reward for risk





MYTH	FACT
The U.S. Government paid for the development and therefore owns the data	The U.S. Government does not "own data". The U.S. Government takes rights or "license" to data. The scope of the U.S. Government license depends on the nature of the data, the relative source of funding and negotiation between the parties





M4 CARBINE

EXCERPT FROM **DEFENSE NEWS**

Army Will Open Competition for Carbine - As Soon As Congress Passes Budget

BY MATTHEW COX, ARMY TIMES PUBLISHED: 30 SEP 12:43 EDT (16:43 GMT)

Soldiers could have a new carbine by 2012, unless a Congressional budget impasse slows it down.

The Army requested \$9.9 million for fiscal 2010, money needed to start the solicitation process for a competition that stands to draw dozens of small arms companies waiting for the chance to unseat the M4 as the Army's primary soldier weapon.

In July, the service took control of the design rights to the M4 carbine from its sole maker, Colt Defense LLC. The transition of ownership of the M4 technical data package marked the end of an era and Colt's exclusive status as the only manufacturer of the M4 for the U.S. military for the past 15 years.

The **transfer of the licensing agreement** also frees up the Army to give other companies a crack at a carbine contract....

Small-arms companies waiting for the chance to compete for the Army's next carbine view **Colt's loss of the M4 TDP** as a new beginning for the industry and for soldiers serving in Iraq and Afghanistan....





RECENT GOVERNMENT ACQUISITION STRATEGIES FOR IP

10 USC 2320 amended per FY2007 National Defense Authorization Act

- "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."
- This change in policy was based on reports of the GAO criticizing the DoD for obtaining insufficient rights in technical data to support its weapons systems over their entire life.
- This statute also amended 10 USC 2321(f) to reverse the presumption that technical data relating to a commercial item was developed at private expense.





RECENT GOVERNMENT ACQUISITION STRATEGIES FOR IP (cont'd)

10 USC 2320 amended per FY2009 National Defense Authorization Act

- New section 10 USC 2320a requires the Secretary of Defense to issue policy guidance regarding negotiation of and acquisition of technical data rights of agreements that are not subject to the FAR, including other transactions (OT) and cooperative research and development agreements (CRADA)
- Requires PMs for major weapon systems developed under such agreements to assess the long-term technical data requirements





FY2010 ASA(ALT) policy

- PEO/PMs of ACAT I and II programs shall prepare and submit a Data management Strategy (DMS) as part of their acquisition strategy. ACAT III programs are encouraged to comply with this same policy
- The DMS is the key to developing competitive acquisition and support alternatives
- With each contract, the assertions to rights in data must be solicited, reviewed and challenged
- The initial Government position on the rights in data issues or disagreements and the proposed resolutions should be established prior to contract award.





MOST COMMON TYPES OF INTELLECTUAL PROPERTY

Type of IP Protection	Protectable Subject Matter	Nature of Protection/Rights	Duration of Protection
Patents*	Processes, machines, articles of manufacture, compositions of matter, and business methods(?)	Right to exclude others from making, using, selling, or importing the invention; sometimes referred to as the right to exclude others from "practicing the invention"	20 years from application data
Copyrights	Original, creative works fixed in a tangible medium of expression (e.g., literary, musical or audiovisual works, computer programs	Exclusive right to (1) copy; (2) modify; (3) perform; (4) display; and (5) distribute copies of copyrighted work. No protection against independent creation of similar works, or against certain "fair uses"	Life of author plus 70 years
Trade Secrets	Any information having commercial value by being kept secret (e.g., technical, business, or financial information)	Right to control the disclosure and use of the information through contracts or nondisclosure agreements, protection against theft or misappropriation of that information, but not from independent creation or discovery by another party	Potentially unlimited, as long as remains secret
Trademarks and Service Marks	Distinctive words, phrases, or symbols that identify the source of goods or services	Protection from confusingly similar marks, deception, and unfair competition in the marketing of goods and services.	Federal registration can be renewed every 10 years

* Information provided for "utility" patents—the most common in DoD acquisitions





- DFARS 252.227-7013(a)(14): "recorded information, regardless of the form or method of the recording, of a scientific or technical nature."
- Drawings, documented research, descriptions, designs, processes.
- In the form of texts, graphs, pictures, recorded information, and the like.
- Does not include computer software or data incidental to contract administration, such as financial or management records.





KEY DEFINITIONS – COMPUTER SOFTWARE

- DFARS 252.227-7013(a)(3). Computer programs, source code, source code listings, object code listings, design details, algorithms, processes, flow charts, formulae, and related material that would enable the software to be reproduced, recreated, or recompiled.
- Does not include computer databases or computer software documentation.
- DFARS 252.227-7013(a)(4). Computer Software Documentation provides instructions, such as owner's manuals, installation instructions, and similar items, whether in print or on a CD-ROM.





RIGHTS IN NONCOMMERCIAL COMPUTER SOFTWARE AND TECHNICAL DATA

Rights Category	Criteria for Applying Rights Category	Permitted Uses w/in Government	Permitted Uses outside Government
Unlimited Rights	Development exclusively at Government expense; also any deliverable of certain types—regardless of funding (e.g., FFFIOMT)	Unlimited; no restrictions	
Government Purpose Rights	Development with mixed funding	Unlimited; no restrictions	Only for "Gov't purpose"; no commercial use
Limited Rights (applies to TD only)	Development exclusively at private expense	Unlimited; except may not be used for manufacture	Emergency repair/overhaul; evaluation by foreign government
Restricted Rights (applies to CS only)	Development exclusively at private expense	Only one computer at a time; minimum backup copies; modification	Emergency repair/overhaul; certain service and maintenance contracts
Prior Government Rights	Whenever Government has previously acquired rights in the deliverable TD/CS	Same as under the previous contract	
Specifically Negotiated License Rights	Mutual agreement of the parties when standard rights categories do not meet parties' needs	As negotiated by the parties; however, must not be less than limited rights in tech data, and must not be less than restricted rights in computer software	

"DEVELOPED" – DFARS 252.227-7013

"Developed" means an item, component, or process exists and is workable.

"Developed" should not be confused with development of technical data.

"Developed" only means "that there is a high probability that it will operate as intended" rather than being at a stage ready to be offered for sale or sale in the commercial market.

There is an analogous definition of "developed" as applied to computer software in DFARS 252.227-7014.





CATEGORIES OF RIGHTS TO PROTECT

- The Government has <u>unlimited rights</u> in a contractor's Technical Data in the following nine (9) situations (DFARS 252.227-7013(b)(1)):
- 1. Data pertaining to an item that was developed exclusively with Government funding of a contract (not funding reimbursed by the Government through indirect cost pools).
- 2. Data produced under a contract that was created as part of the performance under the contract.
- 3. Data created exclusively with Government funding in the performance of a contract, even if the item to which the data pertains is not produced or developed under the contract.





- 4. Form, fit and function data.
- 5. Data necessary for installation, operation, maintenance or training purposes.
- 6. Corrections or changes to data that the Government provided to the contractor.
- 7. Data that is publicly available or data that has been released to third parties without restrictions on use.
- 8. Data in which the Government has obtained unlimited rights under another contract or as a result of negotiations.
- 9. Data that was previously given to the Government with lesser rights and the restrictions have expired.





CATEGORIES OF RIGHTS TO PROTECT

- The Government has unlimited rights in a contractor's Noncommercial Computer Software or Computer Software Documentation in the following six (6) situations (DFARS 252.227-7014(b)(1):
- 1. Computer Software developed exclusively at Government expense.
- 2. Computer Software Documentation required to be delivered under contract.
- 3. Corrections or changes to Computer Software or Documentation furnished to the contractor by the Government.
- 4. Computer Software or Documentation is publicly available.
- 5. Computer Software that the Government obtained with unlimited rights under another contract or as a result of negotiations.
- 6. Computer Software that was previously given to the Government with lesser rights and the restrictions have expired.





If you as the prime contractor are obligated to provide the Government with a deliverable to use data rights of your subcontractor,

Make sure your subcontractor is obligated to provide the Government and you with access to data rights, and

Make sure that the appropriate flowdown clauses are included in the contract with your subcontractor.

Otherwise, as the prime, you could be obligated to provide more data rights to the Government than you will be able to deliver.







(12) United States Patent (12) Patent No.: US 7,246,549 B Van Dyke-Restifo et al. (43) Date of Patent: Jul. 24, 2007 (54) AUTOMATIC PRIMER FFFD MECHANISM (58) Elejd of Clussification Search Inventors: Stephen M. Van Dyke-Restife, See application file for complete search indony. Stephen RJ, Welley RJ, Douglas F. Olcott, Germantown, MD (US); Dumhiek Sealue, Thristner, NY (US); Ralph P. Mischielli, Albany, NY (US); Lisu J, Madigau, Melrose, NY (US); References Cited U.S. FATENT DOCLMENTS United States of America as cited by examine Washington, DC (US) Primary Reasoner-Stephen M. Johnson (74) Attorney, Agent, or Firm-John F. Morer ention any disclaiment the term of this dod or adjusted under 35 (57) ABSTRACT U.S.C. 154(b) by 95 cays. her lied mechanian mounted on a carrier of an y place includes a body association for mounting the food mochanism on the carrier, the body association gride rails and a follower plate, a tay associatly the (21) Anal. No.: 10:907.911 Apr. 20, 2005 Related U.S. Application Data sussembly including a housing and an i ntimation-in-part of application No. 10/501,620, el on Jun. 8, 2004, which is a continuation of glication No. 00/718,363, East on Nov. 15, 2000, w absorbered su actuator drive link coa ceted to t slease link connected to the actu nk assembly connected to the quic injector arm disenably; wherean one cod

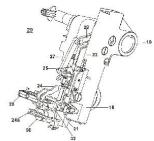
Provisional application No. 60/230/450, filed on Sep. 6, 2000

(2006.01)

(51) Int. Cl. F41A 3/04
 (52) U.S. Cl.

while includes a push puritial re sloet a primer und another a subly includes a follower that plate of the body assembly

1 Claim, 21 Drawing Short



89/27.23

PATENT AND INVENTION RIGHTS

FAR Part 27 prescribes policies, procedures, and contract clauses pertaining to patents

Current Department of Defense Framework

- Contractors are generally permitted to retain ownership (i.e., title) of inventions first "made" during the performance of a government contract. The Government receives a nonexclusive license to use that invention for Government purposes. The granting of a license to the Government is not negotiable under a FAR contract, grant or cooperative agreement.
- A "background invention" is any invention—other than an invention made during performance of a government contract (Subject Inventions) – that is owned or licensed by the contractor, and that will be incorporated into contract deliverables; the contractor must take affirmative steps to identify background inventions and any restrictions on the Government's use





FAR 52.227-11 Patent Rights—Ownership by the Contractor (Dec 2007) Or DFARS 252.227-7038 (Large Business)

- Contractor must disclose inventions within two months after the inventor discloses in writing to contractor personnel.
- Contractor will flow down the same rights to the subcontractor and will not, as part of the consideration for awarding the subcontract, obtain rights in the subcontractor's subject inventions
- Contactor will only grant exclusive rights in subject inventions in the U.S. to those manufacturing substantially in the U.S.
- Government has "march in rights" if contractor does not commercialize within reasonable time





ASSERTING RESTRICTIONS ON TECHNICAL DATA

Reference DFARS 252.227-7013(e) Identification and delivery of data to be furnished with restrictions on use, release or disclosure

Example (hypothetical guided munition):



Technical Data to be Furnished With Restrictions	Basis for Assertion	Asserted Rights Category	Name of Person Asserting Restrictions
Fuze S&A	Developed exclusively at contractor expense	Limited	XYZ Inc.
GPS Receiver	Developed exclusively at contractor expense	Limited	ABC Inc. (subcontractor)
Navigation algorithms	Developed exclusively at contractor expense	Restricted	XYZ Inc.





RESTRICTIVE MARKINGS ON NONCOMMERCIAL DATA AND SOFTWARE

- Restrictive Markings are required for all noncommercial technical data and computer software being delivered with less than unlimited rights.
- See DFARS 252.227-7013 for specific procedures for placement of restrictive markings.
- □ There are only six types of legends that are authorized:
 - ➤ A notice of copyright under 17 USC 401 or 402
 - Government purpose rights legend
 - Limited rights legend
 - Restricted rights legend
 - Special license rights legend
 - Pre-existing markings authorized under a previous Government contract





FAR SUBPART 15.6 "UNSOLICITED PROPOSALS"

- Unsolicited proposals (UP) are a valuable means for Government Agencies to obtain innovative new ideas outside of response to publicized solicitations
- UP's are offered with the intent that the Government will enter into a contract with the offeror
- The Government may not use UP's as the basis for a solicitation with any other firms; Criminal penalties under 18 USC 1905 if Government personnel disclose restrictively marked UP information
- A valid UP must—
 - (1) Be innovative and unique;
 - (2) Be independently originated and developed by the offeror;

(3) Be prepared without Government supervision, endorsement, direction, or direct Government involvement:

(4) Include sufficient detail to permit a determination that Government support could be worthwhile and the proposed work could benefit the agency's research and development or other mission responsibilities:

(5) Not be an advance proposal for a known agency requirement that can be acquired by competitive methods; and

(6) Not address a previously published agency requirement.





SAMPLE PROVISION FOR RECORDS RETURN OR DESTRUCTION

"Upon either termination or request of COLT, [COMPANY] shall promptly return or destroy all originals, recorded and unrecorded copies of Proprietary and/or Confidential Information, information derived there from and portions thereof, that remain in the possession of [COMPANY] (including Proprietary and/or Confidential Information stored on tapes, computer discs, compact discs and other media). The chief executive officer of [COMPANY] shall certify in writing its return or destruction of the Proprietary and/or Confidential Information to COLT."





SAMPLE RECORDS RETURN OR DESTRUCTION CERTIFICATE

The undersigned officer of ______ (the "Company") hereby certifies as follows:

- 1. The Non-Disclosure Agreement (NDA), [date], between the Company and Colt Defense LLC ("Colt") expired or was terminated in accordance with its terms, and the Company has a duty to destroy all Confidential Information of Colt in its possession in accordance with the terms of the NDA and to provide this certification.
- 2. The Company certifies that it has destroyed all Confidential Information of Colt in its possession, including but not limited to the following drawings: [describe]
- 3. The Company covenants and agrees that after making this Certification, if it discovers that there is still Confidential Information of Colt in its possession, it shall promptly destroy such Confidential Information and notify Colt in writing of such fact, to be addressed to [Colt contact].
- The Company acknowledges that aforesaid Confidential Information of Colt in its possession has been destroyed as of [date].
- IN WITNESS WHEREOF, I have affixed my signature as officer of the Company and have caused the seal of the Company to be affixed hereunto, as of this ____ day of _____ 20___.



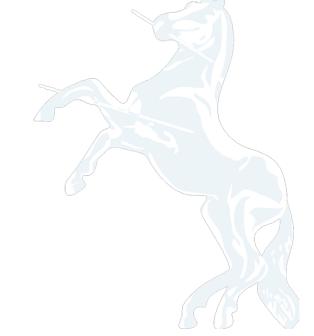
[Name, Title, Date]



NON-FAR AGREEMENTS

MANY TYPES (partial list)

- Cooperative Agreements
- Cooperative Research and Development Agreements
- Educational Partnership Agreements
- Grants
- □ MOUs/MOAs
- Other Transaction Agreements
- Patent License Agreements
- Sale of Testing



✓ Will discuss in more detail



WHAT IS A CRADA?

- Cooperative Research and Development Agreement (CRADA) authority is in 15 U.S.C. 3710(a)
- □ A CRADA is not a FAR contract (very flexible and broad authority)
- An agreement between a Federal Laboratory and one or more non-Federal parties under which the Government, through its laboratories, provides personnel, services, facilities, equipment, Intellectual Property or other resources, with or without reimbursements; Non-Federal parties can provide all of the above, including funds
- □ Specific R&D efforts which are consistent with the missions of the Laboratory
- □ FOIA Protection for 5 years
- □ Intellectual Property Rights defined
 - Collaborating Party has option for exclusive license for pre-negotiated field of use to CRADA Subject Inventions (subject to Government normally retaining certain government purpose rights)
 - Can license Government background inventions
 - Data rights negotiable





WHAT IS an Other Transaction?

- "OT" commonly refers to 10 U.S.C. 2371 authority to enter into transactions other than contracts, grants or cooperative agreements; i.e., an OT is defined by what it is not!
- Prototype Other Transaction: "Commonly referred to as "845" Agreements after section 845 of the NDAA originally authorizing such agreements (Most common type used by Picatinny, and the type of OT discussed here)
- 845 OT's are directly related to prototyping of weapons or weapon systems, defined broadly to include sub-systems, components, technology demonstrations
- "Non-traditional" participation or "Traditional" cost share required
- Purpose: (1) flexibility in contract requirements (e.g., intellectual property, cost accounting) to attract technology firms who do not supply DoD (i.e., non-traditional); (2) flexibility to structure novel agreements with traditional industry, on a case-by-case basis, when FAR contracts, CAs, and grants don't satisfy the requirement





WHAT Is a Patent License Agreement?

- □ Authority: 35 U.S.C. 202(e), 35 USC 207(a)3, and 15 U.S.C. 3710
- Terms, conditions and procedures further prescribed in 37 CFR 404
- It is the policy and objective of Congress to use the patent system to promote the utilization of inventions arising from federally supported research and development
- Licensing Government-owned inventions:
 - Applicant must supply satisfactory plan for developing or marketing of the invention-- except CRADA Subject inventions (see 15 U.S.C. 3710); Licensee must carry out the plan within reasonable time
 - Government may collect royalties, which are shared with Government inventors as an incentive for innovation
 - Government normally retains government purpose rights
 - Substantial U.S. manufacture normally required
 - Licensee may extend to subsidiaries if provided in the license; assignment subject to Government approval
 - March in rights; Small business preference





WHAT IS A TEST SERVICE AGREEMENT?



Davidson Advanced Warhead Development Facility



Armament Software Engineering Center

- Authority: Picatinny's authority is
 10 USC 2539b(a)(3)
- May sell services for testing of materials, equipment and computer software and other items
- □ Full cost reimbursement required
- Confidentiality of Test Results--The results of tests are confidential and may not be disclosed outside the Federal Government without the consent of the persons for whom the tests are performed





HOW IT ALL FITS TOGETHER—Some recent cases

□ M4 Carbine

Munitions Assembly Conveyor





COLT M4 CARBINE

- Army awarded Contract No. DAAF03-67-C-0108 to Colt to make the M16 Rifle
- Army procured the M16 Rifle for military use by US Armed Forces beginning in the Vietnam War
- In the late 1980's Colt developed the precursor of the M4 Carbine exclusively with private funds
- □ In 1988, Colt lost the M16 contract to FN Manufacturing
- □ In 1990, the M16 License became fully paid up
- The same year, Army conducted an initial product test (IPT) and type classified it as the M4, which had 80% parts commonality with the M16
- Army took the position that the M4 was a derivative of the M16 or that Army had acquired data rights to the M4
- In 1997, at Army Materiel Command, Colt proved that the critical and unique parts of the M4 were not related to the M16 and that their development was not funded by the Government
- The Government recognized Colt's rights to the M4 TDP and agreed to purchase all of its M4 requirements from Colt





*SPECTRUM SCIENCES V. UNITED STATES

- Munitions Assembly Conveyor (MAC) is part of Air Force (USAF) bomb assembly operation
- □ MAC was originally developed in 1970's
- In 2000, Spectrum Sciences self-funded MAC improvements and subsequently entered into a CRADA with USAF
- Key CRADA provisions
 - Proprietary information defined; shall not be disclosed except under confidentiality agreement with employees and contractors of receiving party who have a need for the information in connection with [the CRADA]
 - CRADA describes Spectrum technology to be protected
- USAF uses CRADA-related information while preparing a RFP without Spectrum notification, review or comment
- Spectrum asserts RFP contained their Proprietary information
- Spectrum didn't win
- Spectrum sued and Court of Claims ruled in Spectrum's favor

*Source: Holland & Knight Intellectual Property Group presentation to NDIA Small Business Breakfast, Jan 15, 2009, "Improving IP Protection" http://www.ndia.org/Divisions/Divisions/SmallBusiness/Documents/914B/914B_Moran,_John.pdf





REFERENCES

- "Intellectual Property: Navigating Through Commercial Waters", USD(AT&L), October 15, 2001
- USD(AT&L) Memorandum, 19 July 2007, "Data Management and Technical Data Rights
- ASA(ALT) Memorandum, 8 Jan 2010, "Data Management, Technical Data Rights and Competition"
- Intellectual Property in Government Contracts, 6th Edition, Nash and Rawicz
- □ MIL-HDK-X131 (Draft), Acquisition Data Management
- Federal Technology Transfer Legislation and Policy, by Federal Laboratory Consortium for Technology Transfer
- Acquisition Central, <u>www.acquisition.gov</u>
- Federal Acquisition Regulations, <u>www.acquisition.gov/FAR</u>
- Defense Acquisition Regulations System <u>http://www.acq.osd.mil/dpap/dars/index.html</u>
- United States Code, uscode.house.gov
- □ Code of Federal Regulations, <u>www.gpoaccess.gov/cfr</u>
- U.S. Army ARDEC Technology Transfer Website https://www.pica.army.mil/techtran/





Tim Ryan
 US Army ARDEC
 973-724-7953
 timothy.s.ryan@us.army.mil

Carlton Chen
 Colt Defense LLC
 860-244-1315
 cchen@colt.com





CONCLUDING REMARKS

- We hope we demystified at least some issues involving IP and data rights.
- □ The acquisition strategies of DoD and Industry interests often intersect over IP and data rights.



- Early planning to identify and resolve IP and data rights issues is essential.
- Be mindful of the specialized IP and data rights issues that are available for use in doing business with the Government.
- Recognize that provisions involving IP and data rights are frequently negotiable.
- The Government is willing to be flexible and creative to protect its interests as well as the contracting party.
- □ Seek competent legal advice; IP is very complex.





