



# SBIR-STTR Contract Administration



# Karri Palmetier



Palmetier Law was founded to help small and medium-sized businesses navigate the maze of government contracting regulations. As a WOSB/SDVOSB, Karri understands the entrepreneurial spirit of a small business and appreciate the difficulties they face to enter the government contract market. With more than two decades of experience in the Air Force, major defense contractor and law firm, she brings a unique perspective as a trusted adviser to support companies.

## My Primary Practice areas are:

- Small Business Requirements
- Data Rights and Patents
- Ethics Programs
- Contract Administration and Terms/Conditions
- Commercial Item Status
- Subcontract Management
- Non-FAR Contracts
- Compliance and Training

This presentation has been prepared for information purposes and general guidance only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice.

- Read the Contract
- Reporting Obligations
- Compliance
  - Chinese
  - Cybersecurity
- Domestic Sourcing
- Intellectual Property
  - Data Rights
  - Patents
- Subcontract Management
- Delays/Performance
- Ownership/Control Issues
- Potential Pitfalls

# Read the Contract

- Read the Entire Contract
- Develop Execution Plan
  - Deadlines
  - Approvals
  - Deliverables
- Invoicing and Payments
  - Subscribe to appropriate system: Invoice Processing Platform (IPP) for Civilian and Wide Area Workflow (WAWF) for DoD – DFARS 252.232-7006
  - Certification
- Contract Type
  - Fixed Price
  - Cost Reimbursement
  - Time-and-Materials
- Determine Compliance Obligations
  - Cybersecurity
  - Domestic Sourcing
  - Approved Business Systems

- Standard Compliance
  - Retain Records: timesheets, receipts, notebooks
  - Ethics
  - Labor requirements
- Key Personnel
  - Principal Investigator - employment agreements
  - Government approve changes
- Information Technology
  - Cybersecurity (FAR 52.204-21, DFARS 252.204-7012)
  - Banned equipment
    - Chinese (FAR 52.204-25), Kaspersky (FAR 52.204-23)
  - Section 508 for hardware of the Rehabilitation Act
- Export Control
  - Determine if information is export controlled and if licenses required
  - Check for dual use authorization by Government

- Domestic Sourcing
  - Purpose is to grow U.S. economy
    - “support scientific excellence and technological innovation through the investment of Federal research funds in critical American priorities to build a strong national economy... one small business at a time”
  - Purchase only American-made equipment and products *to the extent possible*
  - All work must be performed in the United States Standard Requirements under Buy American Act, Trade Agreements Act and others may apply too

- Approved Business Systems
  - Usually in Phase II or Phase III
  - Requires DCMA or DCAA audits and approval
  - Accounting: on cost reimbursement contracts must track cost elements and comply with cost principles
  - Property: if receive government property or purchase property under cost reimbursement contracts must track property inventory at prime or subcontractor
  - Procurement: on cost reimbursement contracts, establish a system that complies with FAR and DFARS

- Bayh-Dole Act, 35 U.S.C. §§ 200-212, 37 C.F.R. Part 401, and FAR Subpart 27.3 with clause 52.227-11
- Applies to any invention conceived or first reduced to practice in the performance of the contract
  - Obtain assignment of ownership of rights from employees and independent contractors
  - Comply with Patent laws such as first use, public disclosure, etc.
- Primes may NOT take title to subcontractor inventions – address in clauses



- Disclosures and Reports
  - Initial is 2 months after inventor discloses to you or 6 months if otherwise aware
  - Require employees and independent contractors to notify you
  - Disclose the following: abandonment, utilization, election of title, patent filing
- Ownership and Licensing
  - If comply, you retain ownership and government obtains royalty-free license
  - If don't comply, government may exercise March-In Rights and you lose all rights and ownership
  - Authorization and Consent
  - Subsequent licensing must be to a firm who will "substantially manufacture" in the US unless no firm exists or domestic manufacturing is not feasible

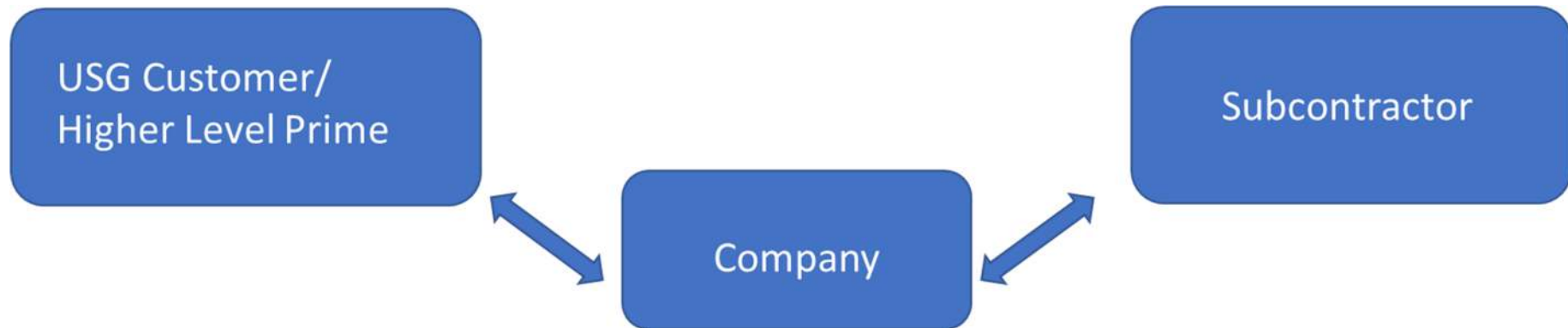
# SBIR Data Rights

- Data first produced in performance of a SBIR contract
  - Clauses: FAR 52.227-20 and DFARS 252.227-7018
  - Applies to small business prime and all subcontractors
  - Applicable data rights clause *must be included* in all SBIR contracts and subcontracts
- USG Authorized Use
  - FAR – USG purposes only, not disclosed outside USG (including disclosure for procurement purposes) without permission except USG may disclose for use by support Contractors
  - DoD – USG may use, modify, reproduce, release, perform, display, or disclose. Receives a license for Limited rights in such SBIR technical data and Restricted rights in such SBIR computer software
- Retain adequate records to substantiate data was developed under each contract
- Protection Period is 20 years after award of each SBIR contract
  - Converts to Government Purpose Rights (Unlimited for Energy)
  - Clauses are not yet updated but many agencies have deviations

- Proposal Process
  - Determine what will be delivered and the level of rights
    - Assert rights to any Technical Data and Computer Software to be *delivered* with less than Unlimited Rights
    - Provide commercial computer software license
  - Include subcontractor assertions
  - Request debriefings and listen – even if win
- Subsequent SBIR contracts
  - Must include applicable FAR/DFARS SBIR clause
  - Strategic Tips:
    - Engage with contracting officer early – Phase III may not be aware of your SBIR technology
    - Inform that SBIR product available – sole source
    - Request SBIR clause be added
- Primes may NOT take title to subcontractor inventions – address in clauses

- Types:
  - IT Security Management Plan
  - Interim and Final Reports
  - Patent Reports
  - Phase II Proposal
  - Hardware, software code
- Determine required contents (SOW) and format (usually a clause)
  - Do not include proprietary, export-controlled or classified unless approved by contracting officer
- Mark everything as required by contract clauses

- You Are In Charge and Responsible
- Consider: Common Goals, Intellectual Property, Liability, Future Relationships
- Due Diligence Check
  - Ask tough questions: capable, partner
  - Allocate Work
  - Check if Suspended or Debarred (FAR 52.203-6)
  - Validate Responsibility (FAR Subpart 9.4)
- Limitations in Subcontracting
  - Phase I – 2/3 of research and/or research and development (R/R&D)
  - Phase II – 50% of R/R&D
  - STTR – must perform 40% of R/R&D work and Research Institution must perform 30% of R/R&D
  - Others: FAR 52.219-14, utilization of small businesses



- Intellectual Property
  - Determine if subcontractors will provide restricted information
  - Commercialization – provide sufficient license for the future?
  - STTR
    - Negotiated agreement with research institution for rights, follow-on work, and commercialization
    - Signed within 15 days after award
- Quality Control
  - Special requirements; e.g. ISO, AS9100, GIDEP
  - Acceptance criteria

- Flowdown of Terms
- Special Entities
  - Federal and State Governmental entities like universities, testing facilities, and laboratories
  - Sovereign entities and have special rules that impact intellectual property, controls, and contract types
- Consider supply chain as design hardware and manufacturing
  - Commercialization
  - Domestic Requirements
  - Licensing Rights

- Manage Schedule and Be Proactive
- If can't avoid, then follow notification process
  - Government has discretion to approve
  - Even if approved, may be considered in past performance and subsequent awards
- Cure Notice
  - Respond in writing with facts
  - Assert defenses if applicable

**Do Not Default**



# Ownership/Control Issues

- Must be unconditionally owned and controlled by US Person
  - Watch for Affiliation issues, especially with any changes in ownership, new minority owners, investors
- Venture Capital firms, hedge funds, etc
  - If majority-owned, then not eligible for STTR and limited eligibility for SBIR
  - Only following agencies opted into the program - <https://www.sbir.gov/vc-ownership-authority>
    - Department of Health and Human Services (Centers for Disease Control and Prevention, and the National Institutes of Health)
    - Department of Energy (Advanced Research Projects Agency)
    - Department of Defense (Department of the Navy)
    - Department of Defense (United States Air Force)
    - Department of Education
  - Many reporting obligations and increased oversight on agencies
  - Will need to provide citizenship, affiliations, and more. Must have offices within the United States.

- Accept funding on more than one SBIR/STTR for essentially equivalent work
- Misrepresentations on principal investigator, percentage of work performed, funds expended
- Falsification of research or plagiarism on reports
- Undisclosed conflicts of interest



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