



# Data Rights and Patents in US Government Contracts

# Agenda

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- Introductions
- Setting the Stage
- Types of Rights
- SBIR Matters
- Development and Delivery
- Patents
- Proposal Preparation
- Subcontractor Rights
- Modifications
- Marking Requirements
- Embedded Data/Software
- Protection & Enforcement
- Strategy Tips

Not Addressed: Trademarks and Copyrights

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# Who is Palmetier Law



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.



# Setting the Stage

- Commercial World
  - Defend Trade Secrets Act
  - America Invents Act
  - Uniform Trade Secrets Act State Laws
- Government World
  - Data Rights
    - Trade Secrets Act, 18 USC §1905
    - All Agencies – FAR Subpart 27.4
    - DoD Unique
      - DFARS Subpart 227.71 – DoD Data Rights
      - DFARS Subpart 227.72 – DoD Computer Software
      - DoD Instruction 5010.44 – Intellectual Property (IP) Acquisition and Licensing
  - Patents
    - Bayh-Dole Act, 35 U.S.C. §§ 200-212 as implemented in 37 C.F.R. Part 401
    - Executive Order 12591
    - FAR Subpart 27.3 and agency supplements
  - Triggers: Development and Delivery

Same IP May Have Different Licenses and Rights Depending on Customer

# Definitions

- Computer Software –
  - Computer programs that comprise a series of instructions, rules, routines, or statements, regardless of the media in which recorded, that allow or cause a computer to perform a specific operation or series of operations; and
  - Recorded information comprising source code listings, design details, algorithms, processes, flow charts, formulas, and related material that would enable the computer program to be produced, created, or compiled.
  - Excludes computer databases or computer software documentation.
- In Performance of – within the scope of work or charged to a contract
- Intellectual Property – a work or invention that is the result of creativity to which one has rights and can be protected under rights including but not limited to a patent, trade secret, copyright, trademark, etc.
- Made - conception **or** first actual reduction to practice
- Reduced to Practice - when it is established that the invention will perform as intended beyond probability of failure and :
  - (1) is the construction of an embodiment that meets all limitations, and
  - (2) a determination that the invention would work for its intended purpose
- Subject Invention - means any invention or discovery that is or may be patentable or otherwise protectable under title 35 of the U.S. Code *Made In the Performance* of a contract
- Technical Data - recorded information (regardless of the form or method of the recording) of a scientific or technical nature (including computer databases and computer software documentation).



# Government Rights Defined

- Unlimited Rights (Technical Data and Computer Software)
  - Licenses USG to use, disclose, reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly, in any manner and for any purpose, and to have or permit others to do
  - Funding Source: Government funds
  - Applies to certain categories of data regardless of funds:
    - Data first produced in the performance of this contract;
    - Form, fit, and function data delivered under this contract;
    - Data delivered under this contract (except for restricted computer software) that constitute manuals or instructional and training material for installation, operation, or routine maintenance and repair of items, components, or processes delivered or furnished for use under this contract
  - DoD Specifics
    - Licenses USG to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so
    - Funding source: *Exclusively* Government Funds
    - FAR categories plus:
      - Studies, analyses, test data, or similar data when specified as an element of performance
      - Corrections or changes to technical data when furnished by the Government



# Government Rights Defined

- Government Purpose Rights (Technical Data and Computer Software) (DoD Only)
  - Licenses USG to
    - Use, modify, reproduce, release, perform, display, or disclose technical data within the Government without restriction; AND
    - Release or disclose outside the Government and authorize third parties to use, modify, reproduce, release, perform, display, or disclose for Government Purposes
  - Funding Source: Mixed
    - FAR is silent when funding source is mixed
  - Government Purposes means
    - Any USG activity, including cooperative agreements with international or multi-national defense organizations, or sales or transfers by USG to foreign governments or international organizations
    - Includes competitive procurement
    - *Excludes* commercial purposes
  - 5 Year Period of Protection
    - Converts to Unlimited Rights
    - Starts upon contract execution
  - Strategic Tip:
    - Longer periods can be negotiated
    - Can negotiate for GPR with non-DoD agencies



# Government Rights Defined

- Limited Rights (Technical Data)
  - Licenses USG to reproduce and use data with express limitation that not used for manufacturing or disclosed outside USG
    - Other clauses grant authorization to share with support contractor
  - Data must (i) embody trade secrets or (ii) are commercial or financial and confidential or privileged, to the extent that such data pertain to items, components, or processes
  - Applies if developed at private expense including minor modifications
  - DoD Specifics
    - Licenses USG to use, modify, reproduce, release, perform, display, or disclose technical data, in whole or in part, within USG
      - May not, without the written permission, release or disclose the technical data outside the USG
      - May not use for manufacture
      - May authorize use by third party only if necessary for emergency repair and overhaul *with conditions*
      - May release to covered support contractor in performance of its covered Government support contract
      - May release to foreign government when in the interest of the USG and required for evaluational or informational purposes
      - Third parties are prohibited from further reproduction, release, disclosure, or use of the technical data
      - USG must notify contractor or subcontractor asserting the restriction
    - For DoD applies only if developed *exclusively* at private expense
- [Strategic Tip:](#) Use can be negotiated; consider what USG needs to do with the data





# Government Rights Defined

- Restricted Rights (Computer Software)
  - Applies to noncommercial software developed exclusively at private expense and not generated in performance of contract
    - Must be a trade secret, commercial or financial and confidential or privileged, or is copyrighted computer software
    - Includes minor modifications of the computer software
  - Unless available to others without disclosure, USG may use, reproduce, or disclose only as follows
    - Used with the computer(s) or a replacement computer
    - Used with a backup computer or for safekeeping (archives)
    - Used by support service Contractors/Subcontractors
    - Modified, adapted, or combined with other computer software, if the modified, adapted, or combined portions incorporating any of the commercial computer software are subject to same restrictions
  - DoD Specifics
    - First three FAR items
    - May transfer to another USG agency if transferor destroys all copies of software and related documentation and notifies contractor
    - Modify computer software *with conditions*
    - Permit Support Service Contractors/Subcontractors to use computer software to diagnose and correct deficiencies in a computer program, to modify computer software to enable a computer program to be combined with, adapted to, or merged with other computer programs or when necessary to respond to urgent tactical situations *with conditions*
    - Permit Contractors/Subcontractors performing emergency repairs or overhaul of items or components of items to use the computer software when necessary to perform the repairs or overhaul, or to modify the computer software to reflect the repairs or overhaul *with conditions*



# Government Rights Defined

- Commercial
  - Applies to “commercial items” developed at private expense
  - Technical Data (DoD only)
    - Use, modify, reproduce, release, perform, display or disclose within Government only and may not:
      - Use to manufacture additional quantities; or
      - Release outside the Government unless it is necessary
        - For “emergency repair or overhaul”; or
        - Use by Covered Support Contractors
  - Computer Software (Both)
    - Generally – accept standard commercial software license. FAR 27.405-3; DFARS 227.7202-3
    - USG may negotiate for additional rights, including restricted rights.
- Strategic Tip:
  - Develop standard commercial licenses for all software developed at private expense and include with proposal
  - Do not modify commercial software under USG contract – segregate or develop plug-in modules

# Government Rights Defined

- Specifically Negotiated License (SNL) – DoD Only
  - Negotiate unique rights
  - No less than Limited Rights may be granted
- Even though SNLs are not explicitly mentioned for other agencies, not prohibited either
- Strategic Tip:
  - Negotiate for government purpose with longer protection period
  - Consider USG needs and offer a balanced license that meets its needs with as much protection as possible to you
  - USAF encourages use of SNLs for nontraditional defense contractors



# SBIR Matters

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- Purpose - enable small businesses to pursue research and development to maintain and strengthen the industrial base and the national economy
    - SBA Policy Directive governs
  - Phase 1 and Phase 2 (Research and Development)
    - Funded with SBIR funds
    - Subject to SBIR statutes and regulations
      - Includes FAR and supplements
      - May be a procurement, grant, or other agreement
    - Managed by SBIR Program Managers
  - Phase 3 (Procurement)
    - Funded with non-SBIR funds
    - May be subject to standard procurement regulations such as FAR or other transaction authorities
    - Managed by Program of Record
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# SBIR Matters

- Small Business Innovative Research (SBIR) Rights
  - Data first produced in performance of a SBIR contract under 15 U.S.C. §638
    - Small business prime and all small business/research institution subcontractors
  - Applicable data rights clause *must be included* in all SBIR contracts and subcontracts
  - Retain adequate records to substantiate data was developed under each contract
- 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
- Protection Period is 20 years after award of SBIR contract
  - Converts to Government Purpose Rights
  - Clauses are not yet updated but many agencies have deviations

- Subsequent SBIR contracts
  - Must include applicable FAR/DFARS SBIR clause
  - May be awarded without competition; ie Sole Source to owner of SBIR Rights
  - Can apply to subcontracts and commercial contracts
  - Contractor must update database – [www.sbir.gov](http://www.sbir.gov)
- Strategic Tip for Phase III:
  - Engage with contracting officer early
  - Inform that SBIR product available – sole source
  - Request SBIR clause be added



# Types of Rights

	Technical Data – Noncommercial	Technical Data – Commercial	Computer Software - Noncommercial	Computer Software – Commercial	SBIR (Technical or Software)
Civilian Agencies	52.227-14, Rights in Data – General	52.227-14, Rights in Data – General	52.227-14, Rights in Data – General	52.227-19, Commercial Computer Software License	52.227-20, Rights in Data – SBIR Program
DoD Agencies	252.227-7013, Rights in Technical Data – Noncommercial Items	252.227-7015, Technical Data – Commercial Items	252.227-7014, Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation	DFARS Subpart 227.7202	252.227-7018, Rights in Noncommercial Technical Data and Computer Software – Small Business Innovation Research (SBIR) Program

# Inventions and Patents

- Applies to any Invention Made In the Performance of the contract
  - Government receives Government Purpose Rights
  - Clauses
    - FAR 52.227-11 for small businesses and non-profit institutions
    - Agency supplement for large businesses
    - Full text equivalent in OTAs, CRADAs or other agreements
- Disclosures and Reports
  - Initial is 2 months after inventor discloses to you or 6 months if otherwise aware
  - Disclose the following: abandonment, utilization, election of title, patent filing
  - Watch for timelines



# Inventions and Patents

- Ownership
  - If comply, you retain ownership and government obtains royalty-free license. Otherwise, government may exercise March-In Rights and you lose all rights and ownership
  - Must require employees and independent contractors to assign ownership
  - Primes may NOT take title to subcontractor inventions
- Subsequent licensing must be to a firm who will “substantially manufacture” in the US unless no firm exists or domestic manufacturing is not feasible

# Inventions and Patents

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- Patent filing is subject to standard patent laws
    - Include statement of Government funds
    - Monitor first use and public disclosure
    - Except nonprovisional patents must be filed in 10 months
  - Authorization and Consent
    - FAR 52.227-1 and FAR 52.227-2
    - The US Government may infringe a patent. The patent holder is entitled to damages only.
    - Clauses authorize contractors who to violate a patent when necessary to perform a contract
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# Development and Delivery

- Government obtains rights
  - In Technical Data and Computer Software when it funds development and delivered
  - In patented IP when it funds development and delivered or publicly posted
- Contract specifies what Intellectual Property will be delivered and the format of the deliverable.
- Clauses specify how the government may use the patented technology, Technical Data, and Computer Software
- Additional Ordering
  - Technical Data used or developed (Civilian)
  - Technical Data or Computer Software developed (DoD)
- Strategic Tip:
  - If data or software is highly sensitive and not intended to be provided to USG or primes, then exclude from delivery

# Proposal Preparation

- Determine what ***must*** be delivered, if patented, and the level of rights
  - Assert rights to any Technical Data and Computer Software to be *delivered* with less than Unlimited Rights
  - Request applicable Data Rights clauses if SBIR or other unique situation
  - Provide commercial computer software license
  - List any data covered by a patent and whether subject to royalties – FAR 27.202-1.
- Determine if subcontractors will assert other than unlimited rights and include in proposal

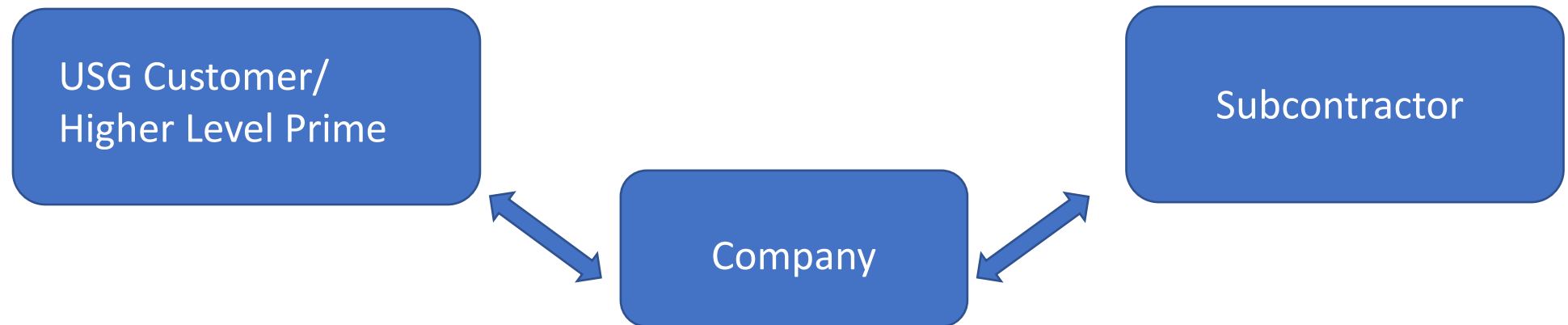
# Proposal Preparation

- Data Assertion Tables

Description of Technology	Level of Rights	Basis for Assertion	Person Asserting Rights

- Predictive – Delivered under contract (not at time of award)
    - SBIR – you do not need to include items developed under SBIR
  - Specify based on deliverables
  - Do not include technical data, computer software in same row
  - Do not include differing rights or bases for assertion in same row
  - Identify prime contractor and subcontractors
- Strategic Tip:
    - Monitor contract modifications and any informal changes in scope
    - Be consistent – if provide with different rights on different contracts, USG automatically obtains highest level (least restrictive)

## Subcontractor Rights



- Licensing Rights in Data and Software
  - FAR/DFARS clauses license direct to USG even for subcontractors
    - Flowdown clauses as appropriate for customer and type of data
    - May not substitute parties
  - Primes must obtain licenses through separate clauses
    - Fully Negotiable
    - Prohibited from obtaining ownership or more rights than necessary to perform contract
- Manage Subcontractors' IP and compliance
- Strategic Tip:
  - Subcontractors have privity with USG and may negotiate data rights directly
  - Primes can obtain Unlimited or GPR rights from USG
  - Discuss IP early in relationship
  - Use small business liaisons if needed
  - If want to own or have unlimited rights in data, do not have subcontractor perform work

# Modifications to Technology

- Modifications and Improvements to Existing Data and Software
  - Track evolutions and find way to differentiate (models, versions, dates)
  - Try to segregate technology derived under different funds
    - If can't segregate, entire solution would be subject to highest level of rights
- Strategic Tip:
  - System to support source of funds (time cards, private expense documentation, accounting system)
  - Differentiate clearly between different evolutions

# Marking Requirements

- Comply with marking requirements in clauses
- Be consistent in labeling each piece of data
- Review documents before delivery
  - Identify all types of data to be delivered:
    - Unlimited Rights – Do NOT mark except - “export controlled” or similar for Government’s rights but may be able to restrict third party rights under *Boeing v. US*, 2019-2147 (CAFC, Dec 21, 2020)
    - Comply with Marking Requirements in Clauses
    - Less than Unlimited Rights, Third Party Data, Export-Controlled
  - Mark each page
  - May need to portion mark if pages contain mix of data rights
  - Creative Marking Ideas: Click wraps, Acceptance document, Indicate specific pages or types of data in Cover page, Use Adobe Portfolio
- Government may question assertion, so will need to provide supporting documentation



# Marking Requirements

- “Proprietary” or “Confidential”
  - Appropriate for Commercial World and business/financial data in Government World
    - Not appropriate for Technical Data in Government World
  - “Confidential” is prohibited for cleared contractors
- Strategic Tip:
  - Enable use of USG markings for commercial effort in contracts and non-disclosure agreements; e.g. “Proprietary or similar markings”
  - Have written process with specific examples
  - Ensure subcontractors know to properly mark documents. Question assertion of data rights or use of “proprietary”



# Marking Samples

- FAR 52.227-14 - Limited Rights Notice (Dec 2007)

(a) These data are submitted with limited rights under Government Contract No. \_\_\_\_\_ (and subcontract \_\_\_\_\_, if appropriate). These data may be reproduced and used by the Government with the express limitation that they will not, without written permission of the Contractor, be used for purposes of manufacture nor disclosed outside the Government; except that the Government may disclose these data outside the Government for the following purposes, if any; provided that the Government makes such disclosure subject to prohibition against further use and disclosure: [Agencies may list additional purposes as set forth in 27.404-2(c)(1) or if none, so state.]

(b) This notice shall be marked on any reproduction of these data, in whole or in part.

- DFARS 252.227-7013 – Limited Rights Notice (Feb 2014)

Contract No. \_\_\_\_\_

Contractor Name \_\_\_\_\_

Contractor Address \_\_\_\_\_

The Government's rights to use, modify, reproduce, release, perform, display, or disclose these technical data are restricted by paragraph (b)(3) of the Rights in Technical Data--Noncommercial Items clause contained in the above identified contract. Any reproduction of technical data or portions thereof marked with this legend must also reproduce the markings. Any person, other than the Government, who has been provided access to such data must promptly notify the above named Contractor.

# Embedded Data/Software

- Refers to situations wherein hardware includes data or software
  - Embedded IP subject to same rules as if delivered separately
  - Assert and Mark in accordance with same requirements
- Government property
  - No specific guidelines in Property clauses
  - Be clear in proposal and contract if software provided with other than Unlimited Rights
- Strategic Tip:
  - Determine if USG requiring delivery of software code or technical data with hardware
  - If other than Unlimited Rights,
    - Determine associated level of rights; and
    - Assess USG needs for data and software
      - Use, modification, test/evaluation, acceptance criteria
  - Explicitly exclude from delivery in proposal and contract

# Protection & Enforcement

- Best Practices to Protect
  - Good processes to identify, segregate, mark and protect intellectual property
  - Monitor use of IP by government – check FedBizOpps, news articles, competitor announcements
  - Report violations and potential violations to contracting officer *in writing*
  - Engage with lawyer immediately. May need to litigate to protect
- Protect Your Data Even If GPR or Unlimited
  - Not required to stop protecting
  - Don't make it easy for competitors

# Protection & Enforcement

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- If want to prevent USG from obtaining GPR or Unlimited rights in data and software, then develop with private funds
  - If highly sensitive, then limit access to minimum employees and third parties
    - Mandate NDA at a minimum
    - Consider requiring approval on an individual basis
    - Exclude from delivery to USG
      - Creative solutions for review or evaluation
      - May negatively impact competitiveness
-

# Obtaining Data/Software

- Technical Data and Software with GPR or Unlimited Rights May Be Available
  - Unlimited Rights – available for government purpose or commercialization
  - GPR – available for government purposes
- How Obtain
  - Request license from contracting officer
    - During RFI or Draft RFP phase
    - During contract administration
  - Provide details so contracting officer can “find”
- Some Are Posted Online
  - NASA Software - <https://software.nasa.gov>

- Resources are main consideration
  - How much time and effort do you want to expend to protect?
- Set Priorities for each data and software
  - Does it provide a competitive edge?
    - Distinctive capability
    - Increased efficiencies/productivity
    - Reduced costs
  - Are you willing to expend resources to litigate to protect?



# Strategy Tips

- New Ideas Need to be Assessed Before Charging Effort to a Contract (Subject Inventions too)
  - Government Funding is good but it means more rights are provided to the USG may be strategically better to fund at private expense
  - If using IRAD funds, follow process for approvals and maintain records
- Watch Modifications and Improvements to Existing Data and Software
- Creativity and flexibility is OK
- Take Away Actions
  - Identify/inventory your IP
  - Prepare centralized database
  - Mark everything - appropriately



# Questions?





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# Reference Slides

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# Applicable Clauses - FAR

52.227-14 Rights in Data—General

52.227-15 Representation of Limited Rights Data and Restricted  
Computer Software

52.227-16 Additional Data Requirements

52.227-17 Rights in Data—Special Works

52.227-18 Rights in Data—Existing Works

52.227-19 Commercial Computer Software License

52.227-20 Rights in Data—SBIR Program

52.227-21 Technical Data Declaration, Revision, and Withholding of  
Payment—Major Systems

52.227-22 Major System—Minimum Rights

52.227-23 Rights to Proposal Data (Technical)



# Applicable Clauses - DFARS

252.227-7013 Rights in Technical Data--Noncommercial Items

252.227-7014 Rights in Noncommercial Computer Software and Noncommercial Computer Software Documentation

252.227-7015 Technical Data--Commercial Items

252.227-7016 Rights in Bid or Proposal Information

252.227-7017 Identification and Assertion of Use, Release, or Disclosure Restrictions

252.227-7018 Rights in Noncommercial Technical Data and Computer Software--Small Business Innovation Research (SBIR) Program

252.227-7019 Validation of Asserted Restrictions--Computer Software

252.227-7020 Rights in Special Works



# Applicable Clauses - DFARS

- 252.227-7021 Rights in Data--Existing Works
- 252.227-7022 Government Rights (Unlimited)
- 252.227-7023 Drawings and Other Data to Become Property of Government
- 252.227-7024 Notice and Approval of Restricted Designs
- 252.227-7025 Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends
- 252.227-7026 Deferred Delivery of Technical Data or Computer Software
- 252.227-7027 Deferred Ordering of Technical Data or Computer Software
- 252.227-7028 Technical Data or Computer Software Previously Delivered to the Government
- 252.227-7030 Technical Data--Withholding of Payment
- 252.227-7032 Rights in Technical Data and Computer Software (Foreign)
- 252.227-7033 Rights in Shop Drawings



# Applicable Clauses - Patents

- 52.227-1 Authorization and Consent
- 52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement
- 52.227-3 Patent Indemnity
- 52.227-4 Patent Indemnity-Construction Contracts
- 52.227-5 Waiver of Indemnity
- 52.227-6 Royalty Information
- 52.227-7 Patents-Notice of Government Licensee
- 52.227-9 Refund of Royalties
- 52.227-10 Filing of Patent Applications-Classified Subject Matter
- 52.227-11 Patent Rights-Ownership by the Contractor.
- 52.227-13 Patent Rights-Ownership by the Government
- 252.227-7004 License Grant
- 252.227-7005 License Term
- 252.227-7006 License Grant—Running Royalty
- 252.227-7007 License Term—Running Royalty
- 252.227-7008 Computation of Royalties
- 252.227-7009 Reporting and Payment of Royalties
- 252.227-7010 License to Other Government Agencies
- 252.227-7011 Assignments
- 252.227-7012 Patent License and Release Contract