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Government Rights in Data Under DoD Contracts

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National Contracts Management Association

World of Intellectual Property

Patents

Copyrights

Trade Secrets

Trademarks
(and Service Marks)

Government Contracts and Trade Secrets Threshold Questions

- (1) What is being delivered?
- (2) Who is paying for development?
- (3) Is the product being delivered, sold, or offered for sale in the commercial marketplace?

Underlying Principles Government Trade Secrets in Government Contracts

- (1) Government never gets to own it
- (2) Prime contractor gets no rights
- (3) Commercial development, license, and sale always an option
- (4) Prohibition of acquisition rights in IP developed at private expense; presumption that commercial products are developed at private expense

In the Weeds: DoD World (Now)

- ◆ Two Regimes of Trade Secrets
 - Technical Data
 - DFARS subpart 227.71
 - DFARS 252.227-7013; 252.227-7015 (TD – Commercial Items)
 - Computer Software
 - DFARS subpart 227.72
 - DFARS 252.227-7014
- ◆ Regulations that Dictate Policies and Procedures
- ◆ Contract Clauses that Dictate Rights
- ◆ FAR Subpart 27.4 “Rights in Data and Copyrights” Does Not Apply

Technical Data

- ◆ Recorded information of a scientific or technical nature (including computer software documentation) relating to supplies procured by an agency
- ◆ Does not include computer software
- ◆ 10 U.S.C. § 2302(4); DFARS 252.227-7013

Policies and Procedures Governing Technical Data

- ◆ DoD to only acquire technical data and rights in technical data necessary to satisfy agency needs
 - Deliverables: separate line items and minimum necessary
 - Disclosure of technical data with restrictions
 - Alternative forms of delivery
 - For commercial items, no rights in technical data not customarily given to public

Government Rights to Non-Commercial Technical Data

- ◆ Rights: Royalty-free, world-wide, non-exclusive, irrevocable license* (DFARS 252.227-7013)
 - *computer software documentation carve-out
 - Standard: (1) unlimited rights; (2) government purpose rights; (3) limited rights
- ◆ Option: Specially negotiated license rights
 - “Government can accept lesser rights in data in return for other consideration” (DFARS 227.7103-5(d))
 - Must be enumerated in a License Agreement made part of contract

Unlimited Rights (License Right)

- ◆ Right to use or disclose technical data
 - In any manner
 - And for any purpose whatsoever
 - And to have others do so

Government Purpose Rights (License Right)

- ◆ Right to use technical data and computer software in any activity in which the Government is a party, including:
 - Competitive procurement but not use for commercial purposes
- ◆ Limited in duration
 - 5-year benchmark (negotiable)
 - Begins on execution of contract
- ◆ Disclosure to third party
 - Must sign NDA (227.7103-7)
 - Covered Government Support Contractor (subject to New Clause 252.227-7025)
 - Government gets release

Limited Rights (License Rights)

- ◆ Right to use, modify, reproduce, release, perform, display, or disclose technical data within the Government
- ◆ Cannot be used for manufacture or used by another party
 - EXCEPT:
 - emergency repair and overhaul
 - release to Covered Government support contractor (must adhere to new clause 252.227-7025) NEW – definition is narrow: advice/assistance to management of program – not maintenance
 - release to foreign government (no detailed mfg data)
 - need notice and agreement by third parties on restrictions on further release

FY 2012 NDAA Insert: TD “Necessary for Segregation or Reintegration”

- ◆ Release, disclosure and use of limited rights technical data to persons outside of the Government is permitted if
 - “is necessary for the segregation of an item or process from, or the reintegration of that item or process (or a physically or functionally equivalent item or process) with, other items or processes.”

What Gets Limited Rights Treatment

- ◆ Technical data pertaining to any item, component, or process developed exclusively at private expense with the legend
 - Developed = workability (analyzed or tested sufficiently to demonstrate to reasonable people skilled in applicable art there is high probability that it will operate as intended; need not be reduced to practice)
 - Exclusively = costs not directly allocated to a government contract (including overruns)
 - FY 2012 NDAA: IR&D and B&P costs “shall not be considered Federal funds . . .”

What Gets Unlimited Rights Treatment

- ◆ Technical data pertaining to an item, component, or process developed exclusively with Government funds
 - PLUS:
 - Form fit and function data
 - Necessary for installation, operation, maintenance, or training purposes (excludes detailed mfg data)
 - Released in past without restrictions
 - Technical data produced as an element of contract performance or in connection with contract performance

What Gets Government Purpose Rights Treatment

- ◆ Technical data that pertains to items, components, or processes developed with mixed funding
 - Private expense determinations are to be made at the lowest practicable level (DFARS 227.7103-4(b))

Subcontractors (Noncommercial TD)

- ◆ Prime instructed to use same clause in subcontracts calling for delivery of TD to Government (252.227-7013)
- ◆ Subcontractor permitted to supply data directly to Government
- ◆ Prime cannot use power to award contacts as “economic leverage” to obtain rights in TD from subcontractors and or suppliers

Policies and Procedures Governing Computer Software

- ◆ DoD only to acquire computer software and documentation and rights therein to satisfy agency needs
 - Deliverables: Minimum necessary (including number of users)
 - Disclosure of computer software with restrictions
 - For commercial computer software, acquire under licenses customarily given to public

Government Rights to Non-Commercial Computer Software and CS Documentation

- ◆ Rights: Royalty-free, world-wide, non-exclusive, irrevocable license (DFARS 252.227-7014)
 - Standard: (1) unlimited rights; (2) government purpose rights; (3) restricted rights/limited rights (CS)
- ◆ Option: Specially negotiated license rights
 - To consider software maintenance philosophy, time and user sharing requirements, and other factors (DFARS 227.7203-5(d))

Unlimited Rights in Non-Commercial Software and Documentation

- ◆ Software developed exclusively with Government funds
- ◆ Documentation required to be delivered under the Contract
- ◆ Released in past without restrictions
- ◆ Software when limitations expire (e.g., government purpose rights)

What Gets Restricted Rights in Noncommercial Computer Software

- ◆ Developed exclusively at private expense
 - A computer program is developed if it is successfully operated in a computer and tested to demonstrate that a reasonable person skilled in the art that it can reasonably be expected to perform its intended purpose;
 - Computer software (other than programs) is developed if it has been tested or analyzed to the extent sufficient to demonstrate to PSKA that it can reasonably be expected to perform its intended purpose

Restricted Rights (License Rights)

- ◆ Right to use a computer program with one computer at one time; program cannot be accessed by more than one terminal or CPU
- ◆ Right to transfer program to another agency if original user destroys all copies of program and provides notice
- ◆ Right to minimum number to maintain archives, backup or allow mod
- ◆ Right to permit service contractors to use software to diagnose and correct deficiencies, adapt or merge with other programs or respond to “urgent tactical situations” (requires notice and 227.7103-7 NDA or adherence to NEW clause 252.227-7025)
- ◆ Right to permit contractors performing emergency repairs or overhauls to use the software when necessary to their work (same notice and NDA requirements)
- ◆ Right to permit Covered Government support contractors to use and/or disclose to authorized persons (must adhere to NEW clause 252.227-7025).

What Gets Government Purpose Rights Treatment

- ◆ Computer software developed with mixed funding
- ◆ Source of funds determination
 - DFARS 227.7203-4(b)
- ◆ To be made at the lowest practicable segregable portion of the software or documentation
- ◆ Look to see what subcomponents or subroutines are discreetly identifiable

Subcontractors and Non-Commercial Computer Software and Documentation

- ◆ Prime contractor instructed to use 252.227-7014 in subcontracts.
- ◆ No other clause may be used to enlarge or diminish rights
- ◆ Prime expressly instructed not to use “economic leverage” to obtain rights from subs or suppliers
- ◆ Primes instructed to disclose and protect subs rights (through id, assertion and delivery processes)

The SBIR Data Rights Clause: DFARS 252.227-7018

- ◆ Covers both non-commercial technical data and computer software
- ◆ Rights: Royalty-free license for Government and support service contractors to use or disclose technical data or computer software generated or developed under contract for any U.S. Government purpose
 - Extends from contract award until 5 years after completion of project, then unlimited rights
 - Despite broad definition of Government purpose, disclosure to third parties is limited

Commercial Computer Software and Documentation

- ◆ Commercial items (FAR 2.101) and Commercial Item Acquisition (FAR Part 12)
- ◆ Commercial computer software (FAR 2.101 vs. DFARS 252.227-7014(a)(1))
 - Developed or regularly used for non-government purposes
 - Sold or offered for sale or license to public
 - Minor modifications to meet contract requirements permitted
- ◆ Commercial computer software (NO CLAUSE)
 - To be acquired under licenses customarily provided to the public unless inconsistent with Federal procurement law or do not otherwise satisfy user needs. DFAR 227.7202 (Different from FAR 52.227-19 governing commercial computer software)

Technical Data Pertaining to Commercial Items

- ◆ 10 U.S.C. 2320(b)(1) Presumption that commercial items are developed at private expense whether or not a justification is made in response to a challenge notice (NEW -- except major systems, subsystems or components thereof)
- ◆ DoD to get technical data customarily provided to the public with the commercial item EXCEPT:
 - Form, fit and function data
 - Required for repair or maintenance, installation or handling

Rights to Technical Data Pertaining to Commercial Items – Clause

- ◆ DFAR 252.227-7015 – Gives Government specific license rights – DoD may use, modify, reproduce, release, perform, display or disclose data only within the Government.
- ◆ May not be used to manufacture additional quantities of commercial items.
- ◆ May not be released without Contractor's written permission
- ◆ Additional rights to be negotiated
- ◆ Not a mandatory flow-down for subs

Identification of TD and Computer Software (Non-Commercial TD and Computer Software)

- ◆ Solicitation provision 252.227-7017
- ◆ Requires offerors to identify any technical data for which restrictions, other than copyright, on use, release, or disclosure are asserted and to attach the identifications and assertions in the offer.
- ◆ Contract clauses 7013/7014 permits Contractor to make additional assertions if new or inadvertent (before delivery and no material affect on source selection)

Marking Requirements (Upon Delivery) – Noncommercial Technical Data and Computer Software

- ◆ Deliverables must be marked by prime and subcontractors in order to obtain protection
- ◆ May only use legends prescribed in 7013/7014 (Limited Rights, Restricted Rights, GPR Rights, Special License Rights) and Copyright notice
- ◆ Computer software transmitted directly from one computer to another shall contain a notice of asserted restrictions

Marking – Unjustified and Nonconforming

- ◆ Unjustified Markings can be challenged under validation procedures 252.227-7019 (computer software) and 252.227-7037 (TD)
- ◆ 252.227-7037 (TD) must be flowed down to all subcontractors
- ◆ Nonconforming markings require a 60 day notice to remove or correct – then Government may ignore or remove or correct at Contractor's expense

Maintaining Records

- ◆ DFARS Requirement -- Contractor must maintain records sufficient to justify the validity of any markings that assert restrictions and be prepared to furnish to the Contracting Officer a written justification for such restrictive markings in response to a request for information.

Identification and Marking of Commercial Computer Software and TD pertaining to Commercial Items

- ◆ No clause governing early identification of commercial item TD or computer software
- ◆ If a deliverable under solicitation, disclose and append license agreement to proposal
- ◆ Mark TD, computer software and computer software documentation with restrictive legends (New clause 227-7025 addresses “commercial restrictive legends”)
- ◆ 252.227-7019 and 252.227-7037 Validation Process Available (but Presumptions stand)

Rights vs. Deliverables

- ◆ Data rights clauses establish Government's license rights – not deliverables
- ◆ Government has no right to require TD or computer software unless a deliverable unless the contract has Deferred Ordering (252.227-7027) (3 year window after acceptance) or Deferred Delivery (252.227-7026) (2 year window for pre-designated data) clauses
- ◆ FY 2012 NDAA Makes Deferred Ordering Mandatory with a Twist – Technical Data Generated or Utilized in Performance of Contract
- ◆ Changes clause is not available

Copyright Protection

- ◆ Technical data and computer software in object code and source code is subject to copyright protection
- ◆ Contractor is copyright owner (includes works by employees)
- ◆ Prime gets no copyright interest in works created by subs
- ◆ Government under DFARS gets a license coextensive with whatever data rights it obtains

Copyright Protection – Unlimited Rights

- ◆ Government’s copyright license is coextensive with author’s rights
- ◆ DoD IP Guidance instructs COs to not automatically pursue unlimited copyright licenses (GPR should be rule)
- ◆ Third party rights up in the air – limited to “use”?
- ◆ Contractor can and should “mark” with copyright notice (252.227-7013(f) and 7014(f)).

Changing Terrain: Proposed DFARS Rewrite

Federal Register Vol. 75, No. 186 (September 27, 2010) (Case No. 2010-D001)

60 pages of text

Comment period over

Major groups concerned including Aerospace Industry Association and ABA, Public Contract Law Section

Status: In Limbo

Source Material

- ◆ Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, *Intellectual Property: Navigating Through Commercial Waters* (Oct. 15, 2001), available at www.acq.osd.mil/dpap/Docs/intelprop.pdf

Questions?

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