

HASBAT Training

SBIR IP



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“There is a general rule of thumb that radically new technologies are usually developed, marketed, and matured by new companies.”

**Executive Summary; Rand Study
DRR-2274-A, February 2000**

DCAA Is Not Small Business Friendly

“The problem from small businesses participating in SBIR is that DCAA has a large corporate mentality that they apply to small businesses who don't have multitudes of internal auditors. This DCAA methodology creates a disproportionate regulatory burden on small businesses.”

SBIR Insider Newsletter July 25, 2013

DCAA Is Not Small Business Friendly

“Jere Glover, former Chief Counsel for Advocacy at SBA told us he'd rather deal with the IRS than the DCAA. Even the IRS has a "Taxpayer Advocate" and it's well displayed on their website.”

SBIR Insider Newsletter July 25, 2013

IP Discussion

I. Patent Rights

II. FAR SBIR Clause

III. DFARS SBIR Clause

IP Dilemma

Friction: Competition v. IP Rights

“A company’s interest in protecting its IP from uncompensated exploitation is as important as a farmer’s interest in protecting his seed corn. Often companies will not consider jeopardizing their vested IP to comply with the Government’s contract clauses.”

USD (AT&L) Report, Oct. 2001

The Allocation of Rights to Patents Conceived Or Actually Reduced To Practice Under A Govt Contract

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Patents

Bayh-Dole Act of 1980

If contractor “plays by the rules,” Govt only obtains a nonexclusive, royalty-free license for “subject inventions”

Patents

Subject Invention

Means any invention conceived or first actually reduced to practice in the performance of work under a government contract or grant

Patents

“Actually Reduced To Practice”

“An invention is actually reduced to practice when it is put into physical form and shown to be operative in the environment of its practical contemplated use.”

Boeing v. U.S. (COFC 2006)

Patents

“In Performance of Work...”

- Resolved by looking at scope of work.
- Savvy Govt Ploy: Match inventor’s notebook to his time card

Patents

Be cautious not to propose work that could produce a “subject invention” if company desires to enhance its patent portfolio for inventions that are likely to be discovered in performing the work.

- Remember “subject invention” includes actually reduced to practice

Patents

Definition of IR&D

“The term does not include the costs of effort sponsored by a grant or required in the performance of a contract.”

FAR § 31.205-18

Patents

- Work can be “implicitly required” for a contract.
U.S. v. Newport News, 276 F. Supp.2d 539
- Possible to perform both IR&D work and contract work in same subject matter if careful.
Boeing Co. v. U.S., 69 Fed. Cl. 397 (2006)

Patents

Must Timely:

- Disclose subject invention
- Elect to take title
- File patent application



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“Playing By The Rules”

Disclosing Subject Invention

“The Contractor will disclose each subject invention to the Federal agency within 2 months after the inventor disclosed it in writing to Contractor personnel responsible for patent matters.”

“Playing By The Rules”

DD Form 882

REPORT OF INVENTIONS AND SUBCONTRACTS (Pursuant to "Patent Rights" Contract Clause) (See Instructions on back)							Form Approved OMB No. 3200-0035 Expires Jun 30, 2009			
The public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Department of Defense, Executive Service Directorate (5000-0005). Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.										
PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ORGANIZATION. RETURN COMPLETED FORM TO THE CONTRACTING OFFICER.										
1. a. NAME OF CONTRACTOR/SUBCONTRACTOR			e. CONTRACT NUMBER		2. a. NAME OF GOVERNMENT PRIME CONTRACTOR		c. CONTRACT NUMBER			
b. ADDRESS (include ZIP Code)			d. AWARD DATE (YYYYMMDD)		b. ADDRESS (include ZIP Code)		d. AWARD DATE (YYYYMMDD)			
3. TYPE OF REPORT (X one)										
a. INTERIM										
b. FINAL										
4. REPORTING PERIOD (YYYYMMDD)										
a. FROM										
b. TO										
SECTION I - SUBJECT INVENTIONS										
5. "SUBJECT INVENTIONS" REQUIRED TO BE REPORTED BY CONTRACTOR/SUBCONTRACTOR (If "None," so state)										
NAME(S) OF INVENTOR(S) <i>(Last, First, Middle Initial)</i>		TITLE OF INVENTION(S)		DISCLOSURE NUMBER, PATENT APPLICATION SERIAL NUMBER OR PATENT NUMBER		ELECTION TO FILE PATENT APPLICATIONS (X)		CONFIRMATORY INSTRUMENT OR ASSIGNMENT FORWARDED TO CONTRACTING OFFICER (X)		
a.		b.		c.		(1) UNITED STATES (a) YES (b) NO		(2) FOREIGN (a) YES (b) NO		
6. EMPLOYER OF INVENTOR(S) NOT EMPLOYED BY CONTRACTOR/SUBCONTRACTOR						g. ELECTED FOREIGN COUNTRIES IN WHICH A PATENT APPLICATION WILL BE FILED				
(1) (a) NAME OF INVENTOR <i>(Last, First, Middle Initial)</i>		(2) (a) NAME OF INVENTOR <i>(Last, First, Middle Initial)</i>		(1) TITLE OF INVENTION		(2) FOREIGN COUNTRIES OF PATENT APPLICATION				
(b) NAME OF EMPLOYER		(b) NAME OF EMPLOYER								
(c) ADDRESS OF EMPLOYER <i>(include ZIP Code)</i>		(c) ADDRESS OF EMPLOYER <i>(include ZIP Code)</i>								
SECTION II - SUBCONTRACTS (Containing a "Patent Rights" clause)										
6. SUBCONTRACTS AWARDED BY CONTRACTOR/SUBCONTRACTOR (If "None," so state)										
NAME OF SUBCONTRACTOR(S)		ADDRESS <i>(include ZIP Code)</i>		SUBCONTRACT NUMBER(S)		FAR "PATENT RIGHTS"		SUBCONTRACT DATES (YYYYMMDD)		
a.		b.		c.		(1) CLAUSE NUMBER (2) DATE (YYYYMM)		(1) AWARD (2) ESTIMATED COMPLETION		
SECTION III - CERTIFICATION										
7. CERTIFICATION OF REPORT BY CONTRACTOR/SUBCONTRACTOR <i>(Not required if: (X) as appropriate)</i>							SMALL BUSINESS or		NONPROFIT ORGANIZATION	
I certify that the reporting party has procedures for prompt identification and timely disclosure of "Subject Inventions," that such procedures have been followed and that all "Subject Inventions" have been reported.										
a. NAME OF AUTHORIZED CONTRACTOR/SUBCONTRACTOR OFFICIAL <i>(Last, First, Middle Initial)</i>			b. TITLE			c. SIGNATURE			d. DATE SIGNED	

DD FORM 882, JUL 2005

PREVIOUS EDITION IS OBSOLETE.

Adobe Professional 7.0

“Playing By The Rules”

Campbell Plastics Eng.

- Campbell, an 8(a) contractor, had been awarded a cost-plus-fixed-fee contract by the Army for tooling to produce protective masks for aircrews
- During the performance of the contract, Campbell devised a sonic welding process

“Playing By The Rules”

Campbell Plastics Eng.

- The contract contained FAR § 52.227-11 entitled PATENT RIGHTS - RETENTION BY THE CONTRACTOR (SHORT FORM) (JUN 1989).
- Under the clause, Campbell was obligated to disclose its invention to the Government within 60 days after the inventor informed the “Contractor personnel responsible for patent matters.”

“Playing By The Rules”

Campbell Plastics Eng.

- The clause also states that, if the contractor does not disclose the invention within the sixty days, the Government can obtain the title to the invention
- On three occasions Campbell informed the COTR about the sonic welding process.
- On the DD Form 882, Report of Inventions, Campbell indicated that no “subject inventions” had been conceived.

“Playing By The Rules”

Campbell Plastics Eng.

- Campbell hired an attorney to prosecute a patent application.
- The patent application fully disclosed that the invention was made while performing an Army contract and that the Government was entitled to a paid-up license.
- When the patent issued, Campbell provided a copy of the patent to the C.O.

“Playing By The Rules”

Campbell Plastics Eng.

- Because Campbell had made a misrepresentation on DD Form 882, the Army demanded that Campbell transfer the title to his patent to the Government.
- Campbell appealed what he dubbed a “draconian penalty”.
- The CAFC upheld the Army’s right to demand the title to the patent.

“Playing By The Rules”

Electing To Retain Title

The Contractor must decide to retain title within:

- 8 months if large business
- 24 months if a small business

“Playing By The Rules”

Filing Patent Application

“The contractor will file its initial patent application ... within 1 year after election of title, or if earlier, prior to the end of any statutory period wherein valid patent protection can be obtained.”

“Playing By The Rules”

Must “Go The Distance”

The Contractor must “continue the prosecution ... pay the maintenance fees ... defend in reexamination or opposition proceedings.”

“Playing By The Rules”

Contractor Elects Trade Secret

“The Contractor will retain a nonexclusive royalty-free license” but Gov’t obtains title

[Exception: Contractor did not “played by the rules”]

III. Govt Rights - Patents

March-In Rights

Agencies can require
licensing of inventions if
invention not being
commercialized

35 U.S.C. § 203

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III. Govt Rights - Patents

Domestic Manufacture

Any products embodying the subject invention must be manufactured substantially in the U.S. (except when “not commercially feasible”)

4. *Opportunity - Patents*

A Patent Can Result In Sole Source

“Where protester contends that patent indemnity clause in solicitation results in supplier of patented item being in sole-source position, but record shows that agency has reasonable basis for concluding that use of clause was authorized by regulations, clause is unobjectionable.”

Barrier-Wear, B-24053 (1990)

Technical Data

Allocation of Rights to Trade Secrets Involving Govt Contracts

Technical Data

Categories of Trade Secrets

- Technical data -- noncommercial
- Computer software – noncommercial
- Technical data – commercial
- Computer software - commercial

Two Different Regimes

FAR

v.

DFARS

Two Different Regimes

- **FAR § 52.227-20** Rights in Data -- SBIR Program
- **DFARS § 252.227-7018** Rights in Noncommercial Technical Data & Computer Software – SBIR Program

Two Different Regimes

- **FAR § 52.227-20** is an overlay of allocation of rights in FAR Part 27.
- **DFARS § 252.227-7018** is an overlay of allocation of rights in DFARS Part 27.

FAR § 52.227-20

“For a period of 4 years ... after acceptance of all items to be delivered under this contract, the Government will use these data for Government purposes only, and they shall not be disclosed outside the Government (including disclosure for procurement purposes) during such period without permission of the Contractor, except that, subject to the foregoing use and disclosure prohibitions, these data may be disclosed for use by support Contractors.”

DFARS § 252.227-7018

SBIR data rights. Except for technical data, including computer software documentation, or computer software in which the Government has unlimited rights under paragraph (b)(1), the Government shall have SBIR data rights in all technical data or computer software generated under this contract during the period commencing with contract award and ending upon the date five years after completion of the project from which such data were generated.

DFARS § 252.227-7018

“SBIR data rights” means the Government's rights during the SBIR data protection period to use, modify, reproduce, release, perform, display, or disclose technical data or computer software generated a SBIR award as follows:

- (i) Limited rights in such SBIR technical data; and**
- (ii) Restricted rights in such SBIR computer software.**

DoD Rights - Trade Secrets

	<i>Total Govt \$</i>	<i>Mixed Funding</i>	<i>Total Vendor \$</i>
<i>Tech Data</i>	Unlimited	GPR	Limited
<i>Software</i>	Unlimited	GPR	Restricted

FAR Rights - Trade Secrets

“The Government shall have unlimited rights in ... data first produced in the performance of this contract.”

FAR § 52.227-14(b)(1)

SBIRs - Prone To Fraud

Lithium Power Technologies, Inc and Mohammed Munshi

- In 1998, Mohammed Munshi founded Lithium Power Technologies (LPT).
- LPT's proposed to develop specialized lithium-based batteries for commercial and government applications

Lithium Power Technologies, Inc and Mohammed Munshi

- At issue in the case were four Small SBIR awards that LPT received from the Army Space and Missile Defense Command, the Ballistic Missile Defense Organization (BMDO), and the Air Force.
- LPI was sued in a *qui tam* law suit by a disgruntled employee

Lithium Power Technologies, Inc and Mohammed Munshi

According to a U.S. District Court in TX:

- LPT's proposal misrepresented the key personnel who would be conducting the research work in three of the four SBIRs
- LPT knowingly falsified statements regarding its facilities and equipment

Lithium Power Technologies, Inc and Mohammed Munshi

- LPT misrepresented that it had cooperative arrangements with the University of Houston and Polyhedron Laboratories.
- LPT failed to disclose in its Air Force SBIR grant proposals work that LPT had previously performed in its BMDO SBIR grant

Lithium Power Technologies, Inc and Mohammed Munshi

- The U.S. District Court held that the Government's damages were equal to the entire amount of the SBIR payments to LPT--\$1,657,455.
- Applying treble damages, the Defendants were ordered to pay \$4,972,365

R&D
opportunities
for
jailed
scientists



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