At the Crossroads of Intellectual Property and Government Contracting: Case Studies and Practical Pointers

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AT THE CROSSROADS OF INTELLECTUAL PROPERTY AND
GOVERNMENT CONTRACTING: CASE STUDIES AND
PRACTICAL POINTERS

COURTNEY A. HOFFLANDER¹ &
THEODORE M. THOMPSON II²

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I. INTRODUCTION

Contracting with the U.S. federal government can be lucrative for private companies. In fiscal year 2015 alone, the federal government spent over $393 billion on about 2.9 million contracts.3 The federal government spent an additional $601 billion on grant funding in about 529,000 transactions.4 With so much money on the line, it is not surprising businesses are eager to get a piece of Uncle Sam's pie. It is also not surprising that the federal government has created complex regulations in order to partially standardize these contracts, namely the Federal Acquisition Regulation (FAR) and its supplements.5 The largest of these supplements is the Defense Federal Acquisition Regulation Supplement (DFARS).6 Entities of all sizes need to be aware of the unique risks and considerations of doing business with the government, particularly with respect to intellectual property, in order to make smart choices, mitigate risks, and protect their assets.

This article will explore key areas to consider when contracting with the federal government and will provide practical pointers to use when negotiating and performing under such contracts. First, this article addresses general differences between contracting

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4 Id. This article focuses on procurement contracts rather than government grants.
with a private party versus the government. Second, this article examines how select types of intellectual property are treated under government contracts, specifically discussing both DFARS and FAR. Lastly, this article outlines a series of questions that any business contemplating entering a government contract should review to determine whether it is, in fact, in the best interest of the business to do so.

II. DIFFERENCES BETWEEN CONTRACTING WITH A PRIVATE PARTY VERSUS THE GOVERNMENT

A. Sovereign Immunity Creates Barriers to Suing the Government

While contracting with the government shares many similarities with contracting with a private party, the government is not a “typical litigant.” Rather, the government is the benefactor of special defenses, procedures, and limits on liability. One of the largest differences between private and government contracts arises from the status of the United States as a sovereign that, when acting as a sovereign for the purpose of the general welfare, is immune from liability unless it consents to waive its immunity. When the government is contracting as a sovereign, the rights of the other party will be subordinated.

The Supreme Court stated as early as 1925 the government’s sovereign immunity as a contractor as settled law. In *Horowitz v. United States*, the Court held that “the United States when sued as a

7 See infra Part II.
8 See infra Part III.
9 See infra Part IV.
13 McBride & Touhey, supra note 10 (“[W]hen [the United States] acts as a sovereign, as distinguished from its action in its individual or proprietary capacity as a contractor, the rights of the individual doing business with it must be subordinated to the general welfare.”); see also Horowitz v. United States, 267 U.S. 458, 461 (1925).
14 *Horowitz*, 267 U.S. at 461 (citing Wilson v. United States, 11 Ct. Cl. 513, 520 (1875); Deming v. United States, 1 Ct. Cl. 190, 191 (1865); Jones v. United States, 1 Ct. Cl. 383, 384 (1865)).
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A contractor cannot be held liable for an obstruction to the performance of the particular contract resulting from its public and general acts as a sovereign.” 15 This is in sharp contrast to the basic legal rule that non-performance is a breach. 16 That being said, because overly broad immunity would chill the incentive for businesses to contract with the government, the government has, through legislation, waived sovereign immunity in certain cases arising in contract, tort, and intellectual property infringement. 17 However, waivers of sovereign immunity must be explicit and “not ‘enlarged beyond what the language requires.’” 18 For example, as discussed in the case study below, while 28 U.S.C. § 1498 allows a patent owner to bring a claim against the government for patent infringement, the patent owner is expressly limited to remedies for direct infringement by the government. 19


As the Federal Court of Claims stated in Liberty Ammunition, Inc. v. United States, “‘[a]ctivities of the Government which fall short of direct infringement do not give rise to governmental liability because the Government has not waived its sovereign immunity with respect to such activities. Hence, the Government is not liable for its inducing infringement by others.’” 20

At issue in Liberty Ammunition was a private contractor’s claim against the government for developing and manufacturing an infringing bullet. 21 The founder 22 of Liberty Ammunition had created a bullet to address the government’s expressed need for a “greener” bullet, containing less lead and other heavy metals, while improving ballistic performance. 23 He had created this bullet independently and

15 Id.
17 1-1 JAMES G. MCEWEN, DAVID S. BLOCH, RICHARD M. GRAY & JOHN T. LUCAS, IP AND TECHNOLOGY IN GOVERNMENT CONTRACTS § 1.02 (Matthew Bender ed., 2015).
20 Id. (quoting Decca Ltd., 640 F.2d at 1167).
21 Id. at 384.
22 Id.
23 Id. at 377–78. The inventor assigned the patent rights to Liberty Ammunition after filing for the patent. Id. at 380.
prior to entering into any government contract. Before receiving prototypes for testing, government officers signed a non-disclosure agreement. The army was not satisfied with the test results, and Liberty Ammunition did not obtain a manufacturing contract. Subsequently the army used a different ammunition manufacturer relying on substantially the same technology covered by Liberty Ammunition’s patent. Liberty Ammunition successfully sued under 28 U.S.C. § 1498, alleging infringement of its patent. The Court of Federal Claims explained that the government directly infringes a patent when it “directly uses or manufactures the patented invention without a license, or when, through a procurement contract or otherwise, the government consents to the use or the manufacture of the patented invention for its benefit without first obtaining a license.”

In determining whether the patent is infringed by the government, the Court of Federal Claims applies a two-step process which mirrors the process between two private parties: first the court construes the patent claims at issue, then it compares the construed claims against the allegedly infringing product or process. Despite this similarity, a major difference between infringement by a private party and infringement by the government is the damages the patent holder is entitled to under 28 U.S.C. § 1498. The patent holder’s relief is limited to a “reasonable royalty,” effectively foreclosing the possibility of treble damages under 35 U.S.C. § 284.

24 Id. at 378–82 (describing the beginning of the patent owner’s development of the bullet in 2003 and the subsequent events leading to the award of a government contract in 2007).
25 Id. at 378–79.
26 Id. at 381 (“The Army Marksmanship Unit tested ten out of the fifty rounds and found weaknesses in the bullet’s muzzle velocity, precision, and target penetration capability.”).
27 Id. at 378–79. After preliminary trials, the inventor was told the Army would no longer be considering designs from the industry, but would use a “joint government/ATK [re]design effort” instead. Id.
28 Id. at 383.
29 Id. at 406.
30 Id. at 385 (internal citations omitted) (citing Decca Ltd. v. United States, 640 F.2d 1156, 1166–67 (Ct. Cl. 1980); Hughes Aircraft Co. v. United States, 534 F.2d 889, 897 (Ct. Cl. 1976); Parker Beach Restoration, Inc. v. United States, 58 Fed. Cl. 126, 131 (2003)).
31 Id. at 385.
32 Id. at 386 (“Generally, the preferred manner [for computing reasonable and entire compensation] is to require the government to pay a reasonable royalty for its license as
Thus, several differences exist between claims for infringement against the government that contracting parties should keep in mind, which can impact the decision to bring suit. First, the patent owner is limited to recovering a reasonable royalty, not an injunction, and not treble damages.34 Second, the U.S. government is not liable for claims of inducing patent infringement unless it has expressly waived its sovereign immunity for such a claim.35 With few damage and liability theories available, the prospect of prevailing in litigation may weaken as compared to private party disputes.

B. Government Can Avoid Performing the Contract in Certain Circumstances

1. Government Agents Do Not Necessarily Have the Authority to Enter Into a Contract on Behalf of a Federal Agency

As a private party, the appearance of an agent to have authority to enter into a contract can be legally binding. In sharp contrast, the government is not bound unless the agent is acting within the limitations of the agent’s authority to do so.36 It is the burden of the prospective contractor to make sure the government agent has the authority to enter into the contract, and if the matter comes before a court, to offer evidence of the government agent’s contracting authority.37 Thus, the claimant’s typical argument that it relied on the words or actions of the other party’s agent is not available, “even if a government employee purports to have authority to bind the government, the government will not be bound unless the employee actually has that authority.”38 Said another way, lacking the authority to

well as damages for its delay in paying the royalty.” (quoting Standard Mfg. Co. v. United States, 42 Fed. Cl. 748, 758 (1999)).
33 35 U.S.C. § 284 (2012) (”[T]he court may increase the damages up to three times the amount found or assessed.”).
34 See generally Microsoft Corp. v. Motorola, Inc., 696 F.3d 872 (9th Cir. 2012).
do so, the agent may not bind the government or even provide binding contract provisions.\textsuperscript{39}

For a potential government contractor, this means both the government agency must have the authority to enter into the particular type of contract and the agent, individually, must have the authority to bind the governmental agency for the contract to be enforceable.\textsuperscript{40} While it is certainly important, given the severe consequences of not ensuring both types of authority are present in a transaction, problematic incidences occur infrequently.\textsuperscript{41} The broad application of other types of government regulations in contracts usually requires a certain level of carefulness on the part of the agency.\textsuperscript{42} It would also not be in the best interest of the government to enter into large numbers of transactions with contractors without authority.

2. The Christian Doctrine Subjects a Contractor to the Applicable Regulations, Even If the Requirements are not Expressly Present in the Contract

Another major way contracting with the government is different than contracting with a private party is that a set of rules (i.e., the regulations) may be “read in” to the contract, regardless of inclusion in the actual instrument.\textsuperscript{43} Further, erroneous clauses will be eliminated and clauses intentionally removed but required will even be reinserted by operation of law.\textsuperscript{44}

An early case recognizing the enforceability of clauses “read in” to a contract was \textit{G. L. Christian & Associates v. United States}. In \textit{Christian}, a housing contractor for the military objected to a termination for convenience clause being “read in” to the contract when the clause was exercised by the government.\textsuperscript{45} The contractor argued that the termination for convenience clause was unenforceable because it was not expressly in the contract, and the implied presence of the clause was based on the regulations rather than directly from the

\textsuperscript{39} \textit{Freed}, 34 Fed. Cl. at 720.
\textsuperscript{40} \textit{McEwen et al.}, supra note 17.
\textsuperscript{41} \textit{Id.}
\textsuperscript{42} \textit{Id.}
\textsuperscript{43} \textit{Id.}
\textsuperscript{44} \textit{Id.}
The court held that “[r]egulations reasonably adapted to the administration of a Congressional act, and not inconsistent with any statute, have ‘the force and effect of law.’” In explaining the policy behind the doctrine, the court explained that rendering a regulation powerless to incorporate a clause consistent with the policy of a Congressional act into new contracts “hobble[s] the very policies which the appointed rule-makers consider significant enough to call for a mandatory regulation.” Today, it is widely accepted that various clauses are “read in” to government contracts under the regulations.

The doctrine is fairly strong. For example, if a clause has been deleted and the relevant agency has agreed to such omission (and even if such omission has been deemed acceptable by an audit), the court can still “read in” that same clause. The rationale is that government contractors are assumed to have “constructive knowledge” of the government contracting regulations. Notably, as discussed in the case study below, it can be to the contractor’s advantage to have a clause “read in” to the contract. For these reasons, it is important to understand the application regulations and what contract clauses are absolutely required before performing (or failing to perform) with the assumption that a particular clause has been added or omitted.

For example, in Enron Federal Solution, Inc. v. United States, 80 Fed. Cl. 382 (2008), the court denied a default-terminated contractor’s claim for expenses incurred prior to termination. Under the contract, the contractor agreed to pay significant upfront costs for a utility improvement project and to provide ongoing operation services. The contractor was entitled to payments that would refund the upfront project costs over ten years. However, the government terminated the contract before its third anniversary based on the contractor’s material breach. As of the termination date, the

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46 Id. at 67–68.
47 Id. at 65.
48 Id. at 66–67.
50 Id.
51 The federal government has conveniently provided information at acquisition.gov on both the general regulations for government contracts and the agency-specific requirements at Supplemental Regulations, https://www.acquisition.gov/?q=Supplemental_Regulations (last visited Oct. 28, 2015).
53 Id. at 386.
54 Id. at 389.
The contractor sued the government and argued that the government was required to pay for the improvement costs regardless of why the contract was terminated. The contractor argued that, under the Christian doctrine, the operation of the FAR construction provision and the Default Clause (48 CFR 52.249-10) must be incorporated into the contract. Basically, the inclusion of these clauses would entitle the contractor to payment equal to the value of the improvements. The court denied the contractor’s claim and held that the Christian doctrine does not provide recovery where the government has terminated based on the contractor’s default, and “to construe it as such, where the default is the result of a material breach of contract, would be to overturn perhaps centuries of common law contract law applying the doctrine.” Thus, the contractor bore the risk of the improvement costs and, because of its default, the contractor could not claim relief by way of the Christian doctrine. As a result, the government had the right to use and enjoy those improvements without further payment to the contractor.

While the Christian doctrine can seem intimidating and riddled with traps in the government’s favor, a contractor should remember that the doctrine can work to its advantage at times. For example, many mandatory FAR regulations are reasonable and entitle a contractor to certain rights even in cases where the contract does not expressly provided for such rights. These implied terms can later be asserted against the government in the event the contractual relationship sours. One point of caution, however, is that the doctrine cannot be relied upon where the contractor is in material breach as illustrated in the Enron case.

C. Production and Ownership Implications Under the Doctrine of Segregability

Federal contracts are generally ruled by the Federal Acquisition Regulations and the special acquisition regulations of a

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55 Id. at 392.
56 Id. at 408.
57 Schoenbrod v. United States, 410 F.2d 400, 403–04.
government agency, and are found in Title 48 of the Code of Federal Regulations. The Doctrine of Segregability most clearly appears in the Defense Federal Acquisition Regulation Supplement (DFARS) and allows for the standards of licensing to differ based on the funding source for each segregable unit.

The leading case on this doctrine is *Bell Helicopter Textron*, where a defense research project had, at a different point in the contract, received government funding and funding from a private contractor. In determining ownership of the work product, the Armed Services Board of Contract Appeals (the “Board”) held that the person who shouldered the risk of making a monetary investment to make a speculative idea into a workable item that would likely achieve its intended purpose would be the party that “developed” the idea. The Board went on to define the term “developed” as follows:

In order to be “developed,” an item or component must be in being, that is, at least a prototype must have been fabricated . . . . and practicability, workability, and functionality (largely synonymous concepts) must be shown through sufficient analysis and/or test to demonstrate to reasonable persons skilled in the applicable art that there is a high probability the item or component will work as intended. All “development” of the item or component need not be 100 percent complete, and the item or component need not be brought to the point where it could be sold or offered for sale. An invention which has been “actually reduced to practice” under patent law has been “developed,” but the converse is not necessarily true in every case.

From this case evolved the general rule that, if a segregable unit is developed with private funding, it is owned by the private developer and the government only obtains limited rights in it. Moreover, it

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61 McEwen et al., supra note 17, § 2.05.
63 Id.
64 Id. at 109.
65 Id. at 93.
should be noted that authorities apply the segregability test based on the reality (physical and economical) of the actual development—not the contract terms—to determine which party “developed” a product within the meaning of the statutes and regulations. Therefore, a contractor will not own the work product where the contract recites that the development is privately funded if, in fact, government funds are used. As discussed in the case study below, the application of this test is often less than clear-cut and has interesting licensing implications.

1. Segregability in Action

In United States v. Honeywell International Inc., the plaintiff alleged that Honeywell International Inc. ("Honeywell") fraudulently collected license fees for aircraft navigation software from the government. Honeywell supplied the software as a subcontractor. Throughout negotiations with the prime contractor, Honeywell asserted that its software was a privately developed, “commercial” item (i.e., of the type customarily used by the general public or non-government entities for other than government purposes). The plaintiff, however, argued that Honeywell developed the licensed software in part with government funds and the software was not “commercial.” Accordingly, the plaintiff argued the government had acquired rights in the licensed software. Further, the plaintiff alleged that Honeywell committed fraud by collecting more than $250 million in license fees from the government.

While the court did not establish an interpretation of the regulations covering “segregability” and “commercial items,” it did not deem Honeywell’s interpretation of its software as fraudulent.
Generally, under the doctrine of segregability, courts look to the “lowest practicable segregable portion of the software” in determining where the funds came from to develop the software and data.\(^7\) Honeywell maintained that the license fees it collected from the government applied only to software units that, when segregated, were developed entirely at private expense and was entitled to keep its licensing fees.\(^7\) While the case was dismissed without resolving the segregability issue directly, the court emphasized that Honeywell’s argument was helped by the fact that the government was aware that its software license did not cover the software as a whole, but that only the individual software “functions and capabilities” of that software were “commercial” and presumably segregable from other potentially government-funded software portions.\(^6\)

*Honeywell* illustrates how government contractors that provide computer software should communicate to the government (and have factual support) that the licensed software was developed at private expense or, in the event it was developed with mixed funding, that the company is charging license fees solely for software that is “commercial” and segregable from government-funded software.

2. **Segregability and Negotiation Strategy**

A small non-profit entered into a contract to produce a training program for community college instructors to learn how to teach people how to install small wind turbines.\(^7\) The original contract called for the use of subcontractors to put on several training sessions with a developed curriculum and training materials. After signing the contract and moving forward with the project, the subcontractors were uncomfortable with the intellectual property terms of the contract that would have immediately put the materials in the public domain.\(^7\) Given that the subcontractors were professional instructors who made

\(^7\) MCEWEN ET AL., supra note 17, § 2.05.

\(^7\) Order re Defendant’s Motion to Dismiss, supra note 73, at 4.

\(^7\) Id. at 6.

\(^7\) Interview with Alissa Harrington, former Small and Community Wind Coordinator, Windustry, in Minneapolis, Minn. (July 14, 2015). Information about the case study comes from a discussion with the grants coordinator who was employed to manage the grant. The grant/contract arose from the American Recovery and Reinvestment Act of 2009 and administered through the Minnesota Office of Energy Security. The grant/contract was entered in 2010 and continued through 2011.

\(^7\) Id.

http://open.mitchellhamline.edu/cybaris/vol7/iss1/4
their living partially off of materials included in the training materials, they were unwilling to move forward without some kind of accommodation.79

Facing the possibility of complete non-performance of the contract, the non-profit reached out to the contracting agency to figure out if there was a way to protect the economic interests of the professional instructors while still providing meaningful development of a small wind-training program.80 The non-profit was able to convince the contracting agency to execute an amendment to the contract to provide an accommodation.81 Specifically, the subcontractors would not charge the government for any of the time spent developing the training material and keep the copyright to the material, but would provide the use of the materials by the trainees for a specified period of time.82 Furthermore, the copyrights for the basic curriculum and training session materials outside of the training materials would go into the public domain.83

From this real-world example, a contractor should remember that all is not necessarily lost if it becomes apparent during performance under the contract that the terms are less than ideal. A contractor might reach out to the government and negotiate an amendment to the contract that is amenable to all parties.

III. UNIQUE FACTORS THAT APPLY TO INTELLECTUAL PROPERTY IN GOVERNMENT CONTRACTS

A. Intellectual Property as Economic Stimulus Under the Bayh-Dole Act and Similar Legislation

The federal government recognizes intellectual property as a driver of economic stimulus and commercial innovation as a matter of policy.84 The Bayh-Dole Act was enacted in 1980 to promote the development of government-funded projects into commercial

79 Id.
80 Id.
81 Id.
82 Id.
83 Id.
products. Prior to the act, the government held the position that inventions resulting from federally funded research could only be non-exclusively licensed (including the well-known incident of the Gatorade patents). The act was a reaction to the perception in the 1970s that the U.S. economy had lost its edge; it reversed the previous thirty-five years of public policy by allowing non-profit institutions and small businesses the ability to commercialize inventions resulting from federally funded research.\footnote{35 U.S.C. § 301 (1980).}

The Department of Defense has recognized a similar reason for protecting intellectual property.\footnote{Ashley J. Stevens, The Enactment of Bayh Dole, 29 J. OF TECH. TRANSFER 93, 94 (2004).} "Intellectual property rights (in the form of patents, trademarks, copyrights and trade secrets) are fundamental to capitalist markets, as they protect firms' creative assets from competitive theft. Intellectual property is the lifeblood of world-class commercial companies engaged in leading-edge technologies."\footnote{Id.}

Despite the philosophical approach underlying the Bayh-Dole Act, which is more pronounced in some agencies than others, the government retains a license to practice an invention, as well as protection for contractor’s practicing the invention on the government’s behalf under 35 U.S.C. § 202(c)(4).\footnote{MEMORANDUM FROM DAVE OLIVER, UNDER SEC’Y OF DEF. TO SERV. ACQUISITION EXECS., GEN. COUNSEL OF THE DEP’T OF DEF., DEPUTY UNDER SEC’Y OF DEF., DIR. OF DEF. PROCUREMENT (Jan. 4, 2001), http://www.acq.osd.mil/dpap/Docs/intellprop010501.pdf.}

The Supreme Court discussed patent rights for non-profit organizations receiving government funding at length in \textit{Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.}.\footnote{Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., 563 U.S. 776, 131 S. Ct. 2188, 2189 (2011).} At issue in this case were a series of three patents covering inventions by a researcher working at both Stanford...
University and a private laboratory. The inventor had originally been hired to work at Stanford University in a federally funded program developing tests to prove the efficacy of drugs combatting the human immunodeficiency virus (HIV) in vivo. The researcher assigned his inventions relating to his work to Stanford through a written agreement. To help the researcher develop laboratory skills, Stanford allowed the researcher to work at a private laboratory for nine months. This researcher assigned his inventions relating to his work, including testing methods, to the private laboratory through a separate written agreement. The researcher returned to Stanford and continued researching blood assay HIV tests. Stanford obtained three patents on the technology. Subsequently, the private laboratory was acquired by another party, Roche, which refined and commercialized tests developed by this researcher.

Stanford sued Roche for patent infringement, alleging that it had superior rights to the inventions developed by the researcher by virtue of having received funding for the research through the Bayh-Dole Act, and that the researcher’s assignment in favor of Roche was irrelevant. Roche asserted that it was co-owner of the patents based on its invention assignment from the researcher. Despite initial success in the lower court, the Federal Circuit, and eventually the Supreme Court, held that ownership of a patentable invention does not automatically vest in an institution receiving federal funding under the Bayh-Dole Act. Rather, such institution has to obtain proper assignments and is subject to ownership rules like any other party.

Despite the sweeping policy underlying the Bayh-Dole Act, a contractor receiving government funding is not entitled to reorder the

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92 Id. at 2192–93.
93 Id.
94 Id. at 2192.
95 Id.
96 Id.
97 Id.
98 Id.
99 Id.
100 Id. at 2193.
101 See Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., 487 F. Supp. 2d 1099 (N.D. Cal. 2007).
102 See Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., 583 F.3d 832, 842 (Fed. Cir. 2009).
typical priority of rights found in patent law. In other words, the Bayh-Dole Act determines rights between the government and the contractor, but does not directly affect the rights between the contractor and inventors or other third parties. Therefore, contractors should still heed to best practices, obtain proper invention assignments, and understand inventorship rules to avoid costly ownership disputes.

B. Implications Based on the Type of IP Arising Under the Contract

FAR and DFARS are the major contractual regulations used today. The information in this discussion is not meant to be a comprehensive primer on what is contained in FAR and DFARS, but rather a discussion of the general concepts and some examples of specific regulations. As repeated throughout this article, always remember to check the regulations carefully and thoroughly. Other supplemental provisions are not discussed in depth, but should be explored before moving forward with any contract. The policies and guidance surrounding patents, data, and copyrights are found under Part 27 of FARs, while the actual clauses are included in Part 52, Solicitation Provisions and Contract Clauses.104

1. Patents

The patent provisions of FAR closely line up with the Department of Commerce promulgated regulations under Bayh-Dole.105 Both contain standard clause(s) to be used, the ability of the contractor to choose to only give the government license rights while maintaining title, and the process for the government to “march in” and take title to an invention based on an administrative process.106

Under FAR, the contractor who chooses to give title to the government or retain it has the obligation107 to disclose inventions to

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106 Id.
107 Under FAR, the contractor who chooses to retain ownership has three basic sets of obligations, laid out in 48 C.F.R. § 52.227-11(c)(1–3). First, the contractor must notify the government within two months after notification from the inventor who was working under the contract. Id. The notification must contain enough information to convey a “clear understanding” of the invention and whether or not any manuscripts about the
the government agent in a timely manner, along with any offers for
sale, public use, or publication. Other reporting requirements include
intent-to-patent inventions, utilization, status of development, and
various other general information requests about the use of the
invention.

a. March-In Rights

If the contractor decides to maintain the title to inventions,
under FAR, the government has a right to take title under certain
circumstances, such as when the contractor has not and is not expected
to take steps to “achieve a practical application” of the invention, as
cataloged by the federal regulations promulgated by the Department
of Commerce under Bayh-Dole. An agency can force the license or
title of an invention under government contract without the consent of
the contractor, as long as the agency follows an administrative process
that shows why the march-in rights should be exercised and giving the
contractor reasonable time to respond.

b. License Rights

If the contractor decides to retain title, the contractor must
give to the government a “nonexclusive, nontransferable, irrevocable,
paid-up license to practice, or have practiced for or on its behalf, the
subject invention throughout the world.” And if the government
retains title, the contractor is “granted a revocable, nonexclusive, paid-
up license in each patent application filed in any country on a subject
invention and any resulting patent in which the Government obtains

invention have been submitted or accepted for publication. Id. Second, the contractor has
two years from notifying the agency of the invention to notify the agency of whether or
not the contractor elects to retain ownership of the invention. Id. However, if the one-year
statutory patent protection period has been triggered by the sale, publication, or public
use of the invention, the agency can shorten the time to any time that is “no more than 60
days prior to the end of the statutory period.” Id. Third, the contractor must file a
provisional or non-provisional application within one year after the election or within the
statutory period. Id. Finally, 48 C.F.R. § 52.227-11(c)(4) allows for the contractor to file
extensions with the agency for any of these requirements.

Penalties are provided in both cases for not notifying the government of inventions in a timely manner. License rights can also offer protection for government contractors under 28 U.S.C. § 1498. The government license defense under 28 U.S.C. § 1498 states that the only remedy available to a private party if the government utilizes a privately owned patent is compensation. No injunctive relief is available. This statute applies if the patent infringement is “by or for the United States,” covering most government contracts. Therefore, if the contractor is acting with the authorization of the government, then the contractor is able to assert the affirmative government license defense against infringement claims.

One prime example is that of Dr. John M.J. Madey (“Madey”), a scientist at Duke University (“Duke”). Madey helped the school get a federal grant, in addition to several grants Duke already had secured. A dispute later arose between Madey and Duke, and Madey resigned from his position at the school. Duke continued to use Madey’s lab equipment, which practiced two patents owned solely by Madey. Thereafter, Madey sued Duke for patent infringement. Duke raised the Government License defense, which is based on the Bayh-Dole Act, and argued that it used the patents for the government to conduct research under its grants. In response, Madey contended that Duke’s defense was unpersuasive because Duke contributed some of its own funding to the lab equipment.

The court found that Duke had express authorization in some (but fewer than all) of its funding agreements with the government to use the patents for specific programs such that the use was “for the government.” Therefore, Duke was entitled to assert the Government license defense.

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116 Id.
117 MCEWEN ET AL., supra note 17, § 4.03.
119 Id. at 586.
120 Id.
121 Id.
122 Id. at 587.
123 Id. at 589.
124 Id. at 594.
125 Id. at 595; Madey v. Duke Univ., 307 F.3d 1351, 1359 (Fed. Cir. 2002) (explaining reasoning used in the prior circuit court before remanding to the Middle District of North Carolina).
License defense to some of the alleged infringement claims. However, the court went on to explain that Duke’s use of the patented practices pursuant to other funding agreements with the government was not similarly authorized. In sum, the court made it clear that the existence of government funding for a particular research program is alone insufficient to establish authorization and consent under other programs.

To avoid such third-party claims of infringement, contractors should ensure they have express authorization (or implied authorization or consent) from the government to practice a patent, which arises when: (1) the government expressly contracted for work to meet certain specifications, (2) the specification cannot be met without infringing on a patent, and (3) the government had some knowledge of the infringement. Without express authorization, the contractor may be putting itself at risk of a third-party infringement claim.

2. Data

Data drives our lives. It runs our cars, computers, washing machines, web searches, and decides what coupons we will get at Target. The rise of “big data” has not missed government contracting or government contracting regulations. The good news is the government usually only receives a license to the data acquired, not the ownership or other rights.

In 1984, the Department of Defense was mandated to create specific regulations to handle technical data and computer software. DFARS still uses this two-tiered system today. FAR’s definitions changed in 2007 in order to mirror DFARS’ technical data versus computer software definitions.

Although there are some important differences in the treatment of these two, for the most part the statutorily-based scheme governing technical data is

126 Madey, 336 F. Supp. 2d at 595.
127 Id. at 596.
128 Id.
128 MCEWEN ET AL., supra note 17, § 2.05.
133 MCEWEN ET AL., supra note 17, § 2.05.
extended by policy to computer software. Thus, it is quite common to refer to these issues using the generic terms data or data rights—which are intended to refer collectively to technical data and computer software and their associated license rights.\textsuperscript{134}

The license rights are then determined under one of three methods: (1) standard, Government-unique license categories; (2) contractor’s standard license agreement for a commercial technology; or (3) mutually acceptable terms and conditions.\textsuperscript{135} When looking at the standard license categories, which is what will be covered in this article, non-commercial technologies are generally licensed in proportion to the amount of government funding used to develop the technology, whereas commercial technologies are presumed to be developed at private expense and so give rise to very limited licenses.\textsuperscript{136}

The Court of Federal Claims first discussed issues raised by the Rights in Data—General clause of the FAR in \textit{Ervin and Associates, Inc. v. United States.}\textsuperscript{137} The data rights at issue in \textit{Ervin} concerned the rights of U.S. Department of Housing and Urban Development (HUD) vis-à-vis the contractor regarding data stored in a private database compiled in the course of completing a government contract.\textsuperscript{138} In 1994, the plaintiff contracted with HUD to analyze approximately 4,800 Annual Financial Statements (AFS) submitted by HUD loan-holders.\textsuperscript{139} These statements, at roughly thirty pages apiece, followed no standardized format.\textsuperscript{140} A person had to read the AFS documents, identify missing information, and contact the borrowers to gather additional information.\textsuperscript{141} Accordingly, the plaintiff read the AFS documents and collected information into a database.

\begin{footnotes}
\textsuperscript{134} Id.
\textsuperscript{135} Id.
\textsuperscript{136} Id.
\textsuperscript{137} \textit{Ervin & Assocs., Inc. v. United States}, 59 Fed. Cl. 267, 270 (2004) (The court began the judgment by recognizing that “[t]his government contracting case raises an important issue concerning the scope of the Federal Acquisition Regulation (‘FAR’) ‘Rights In Data—General’ Clause that neither the United States Court of Federal Claims nor the United States Court of Appeals for the Federal Circuit has had an occasion to consider.”).
\textsuperscript{138} Id. at 289–90.
\textsuperscript{139} Id. at 270.
\textsuperscript{140} Id.
\textsuperscript{141} Id.
\end{footnotes}
In 1995, HUD decided to construct a database of its own and requested from the plaintiff much of the data that it had collected under the contract. The plaintiff begrudgingly supplied the data, while maintaining that it was the rightful owner and trying to limit the government’s distribution of the data to third parties. The plaintiff also requested additional compensation from the government for turning over this data. The government refused, and the plaintiff filed suit.

As a threshold matter, despite that the “Rights of Data–General” clause was not explicitly referenced in the contract, the court found that this clause had been included by general reference to several of the FAR clauses which included 48 CFR § 52.227-14. The court summarized the meaning of this clause when it wrote: “As a matter of law, the Government obtains ‘unlimited rights’ in all data ‘first produced’ under a government contract, but the contractor may assert that certain data is instead ‘limited rights’ data.” In this case, the court found that the data was first produced in the performance of the contract. The court also explained that to assert that certain data is limited rights data, it must be properly labelled with a “Limited Rights Notice” and exists “only if third parties are not allowed any further use and disclosure.” The court continued by stating that if the contractor does not properly label data they believe is entitled to a limited rights designation, they must withhold the data and provide “form, fit, and function” data instead. The court concluded that any exclusive

142 Id. at 278.
143 Id. at 280.
144 Id. at 283.
145 Id.
146 Id. at 294–95.
147 Id. at 295 (discussing the Rights in Data–General provisions of 48 C.F.R. § 52.227-14(b)(1)(iv), (g) (1987)).
148 Id. (citing 48 C.F.R. 52.227-14(b)(1) (1987)).
149 Id. at 295.
150 Id. at 295–96. The definition of “form, fit, and function” data can be found at FAR 52.227–14(a): “Form, fit, and function data means data relating to items, components, or processes that are sufficient to enable physical and functional interchangeability, and data identifying source, size, configuration, mating and attachment characteristics, functional characteristics, and performance requirements. For computer software it means data identifying source, functional characteristics, and performance requirements but specifically excludes the source code, algorithms, processes, formulas, and flow charts of the software.” 48 C.F.R. § 52.227-14(a) (1987) (emphasis added).
ownership rights to the data the plaintiff had in this case, the plaintiff lost when it handed the data over to HUD without proper labeling.\textsuperscript{151}

The government obtains strong rights in data first produced under a contract by default. A contractor that desires to maintain control over such data need to take appropriate protective measures. For example, in some circumstances, the data should be withheld in favor of form, fit, and function data. If the data needs to be delivered, the contractor should take great care in properly marking it in accordance with the regulations. Markings such as “Proprietary” without listing whether the data is Limited Rights, Restricted Rights, Government Purpose Rights, etc., are deemed mis-markings and can be ignored (or even removed) by the government if the nonconforming mark is not corrected after the contractor is put on notice of the error.\textsuperscript{152}

Furthermore, type of license may play a part in the scope of rights granted. The license types may be better explained by a chart that follows this section. The most restrictive license categories for technical data and computer software are limited rights\textsuperscript{153} and restricted rights,\textsuperscript{154} respectively. Generally, these are the standard types of licenses for privately funded ventures and “authorize use and disclosure of the data primarily only within the Government, and do not allow release or disclosure outside the Government except in very limited cases that are closely tied to supporting the Government’s internal use, or with the express written permission of the contractor.”\textsuperscript{155}

Under DFARS, these license rights serve as the minimum rights the government can accept when negotiating a special license.\textsuperscript{156} FAR, on the other hand, uses these license rights as a standard, but not a floor.\textsuperscript{157} Parties are able to negotiate specialized rights, if it meets government need.\textsuperscript{158}

The next most restrictive category is found only in DFARS. Government Purpose Rights are specifically used when there is mixed

\textsuperscript{151} See Ervin & Assocs., 59 Fed. Cl. at 297 (“Even if the Government did not already have unlimited rights and even if Ervin's data and EMFIS were developed at private expense, the Government nonetheless acquired ‘unlimited rights’ in all technical data and computer software delivered under the terms of the AFS Contract.”).
\textsuperscript{152} 48 C.F.R. ¶ 52.227-14(e)(1) (2015).
\textsuperscript{154} 48 C.F.R. § 52.227-14(a) (2015).
\textsuperscript{155} MCEWEN ET AL., supra note 17, § 2.05.
\textsuperscript{158} Id.
private and public funding. The license restricts the government use for five years to unlimited use and distribution within the government, but cannot release or distribute. After five years, unless otherwise specified, the license converts to an unlimited license.

Finally, an unlimited rights license applies when a product is developed completely with government funds or where funding status does not matter, such as for computer program manuals. As the name suggests, unlimited rights allow the “[g]overnment 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 so.”

3. Copyrights
   a. Works of Government Employees Do Not Give Rise to Copyright

Furthermore, the works of government employees do not give rise to copyright, except in special cases, like the Post Office. Works created specifically with government funding for the public good, as mentioned above in the Segregability Doctrine section, become part of the public domain. The government can, however, obtain and hold copyrights transferred to it by a private actor. For this reason, the licensing scheme in FAR addresses how the government can use, reproduce, modify, prepare derivative works, perform or display publicly, disclose, release, or distribute the licensed work.

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160 Id.
161 Id.
166 H.R. REP. No. 94-1476, at 60 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5674 (“The intent of section 105 is to restrict the prohibition against Government copyright to works written by employees of the United States Government within the scope of their official duties. In accordance with the objectives of the Postal Reorganization Act of 1970, this section does not apply to works created by employees of the United States Postal Service.”).
copyrightable work, the licensing provisions for general copyrightable material is found under “unlimited rights” in the data section of FAR.¹⁶⁹

b. Government Does Not Hold March-In Rights to a Contractor’s Copyrights, But the Government’s Consent to Assert a Copyright May Be Required

Unlike FAR’s patent provisions, there are not provisions that grant the government the right to march-in and take copyrights owned by a government contractor.¹⁷⁰ Instead, FAR requires that a contractor obtains permission from the government before asserting rights in a copyrighted work containing data.¹⁷¹ 48 C.F.R. § 27.404-3 states that the copyright protection should be granted unless it falls into one of the following categories:

(i) Data consist of a report that represents the official views of the agency or that the agency is required by statute to prepare;
(ii) Data are intended primarily for internal use by the Government;
(iii) Data are of the type that the agency itself distributes to the public under an agency program;
(iv) Government determines that limitation on distribution of the data is in the national interest; or
(v) Government determines that the data should be disseminated without restriction.¹⁷²

The alternative clause IV allows the assertion of copyright without permission, and under FAR this alternative is to be used by colleges and universities for general and applied research or any other contracts that the agency determines “is not necessary” for the contractor to request further permission.¹⁷³

¹⁶⁹ Id. at 14(a)(2).
¹⁷⁰ If a certain clause is inserted into a contract the contractor must assign the copyright to the Government. 48 C.F.R. § 252.227-7020(c) (2015).
¹⁷² Id. at 3(2).
¹⁷³ Id. at 3(3).
Asserting copyright infringement based on material generated under a government contract can be complex and involve issues beyond those found in typical copyright litigation. For example, in Innovative Concepts, Inc. v. Symetrics Industries, Inc., the court found that “an amendment to the Plaintiff's contract . . . executed after the performance period of the contract was completed [changed] the Government's license from an unlimited rights license to a government purpose license.” Based on the conversion, the court declined to charge the defendant for copyright infringement in certain instances because the plaintiff failed to put third parties on notice of the conversion. Further, the court noted, “copyright notice is appropriate, indeed necessary, in addition to the [DFARS] compliant restrictive legends that a contractor may put on its software.”

As discussed in the Data section above, marking material produced under a government contract is critically important. This case study highlights the fact that, if the terms of the government contract change, the contracting party needs to update the markings to put third parties on notice of the change or risk forfeiting a copyright infringement claim. Moreover, government markings are not meant to replace other symbols of intellectual property protection. For works copyrighted by a government contractor, the contractor should include (1) ©, the word “Copyright”, or the abbreviation “Copr.;” (2) the year of first publication; and (3) the name of the copyright owner, to mitigate the evidentiary weight of a defendant’s innocent infringement defense. This puts third parties on notice of the contractor’s rights. Further, this case is a reminder that government contracts are not written in stone. Rather, the contracts can be amended post-signing to accommodate different needs.

4. Trade Secrets

Trade secrets naturally run into conflict with intellectual property protections requiring registration of information or publication. Patent applicants unwittingly lose the trade secret portion of an invention through disclosures in the patent application. A

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175 Id. at *2.
177 1-2 MCEWEN ET AL., supra note 17, § 2.05.
technology license used to combat this issue is a hybrid of a trade secret license for proprietary information and a copyright license.\textsuperscript{178} The government regulations under DFARS and FAR follow the same pattern.\textsuperscript{179}

Trade secrets can be protected under both sets of regulations by asserting restrictions on licensing. Identification timing is important—identification is required in commercial data or software before contracting,\textsuperscript{180} unless it is connected to the ongoing contract performance.\textsuperscript{181} For non-commercial data, both FAR\textsuperscript{182} and DFARS allow post-contract identification, with DFARS limiting it to cases arising from new information or where the omission would not have “materially affected the source selection decision.”\textsuperscript{183}

Importantly, regardless of when the restriction is implemented, the restricted data must be marked or the restriction is lost, leaving the government with unlimited rights.\textsuperscript{184} Instructions for making are the same under FAR and DFARS, but must be followed before submission of the deliverable or corrected at the expense of the contractor.\textsuperscript{185} Even if the product in question was developed with private funding, failure to properly mark the product gives the government unlimited rights.\textsuperscript{186}

In \textit{Canadian Commercial Corporation v. Department of Air Force}, the court reversed the decision of the Department of the Air Force (the Government) that Canadian Commercial Corporation (CCC) would be unharmed by the disclosure of its trade secrets and pricing information under the Freedom of Information Act (FOIA) by finding the Government’s decision “arbitrary and capricious.”\textsuperscript{187}

In 2002, the government issued a request for proposal (RFP) for certain aircraft services under a three-year base contract, which included four one-year options.\textsuperscript{188} Per federal law, the RFP required

\begin{thebibliography}{9}
\bibitem{footnote171} Id.
\bibitem{footnote179} Id.
\bibitem{footnote180} See 48 C.F.R. § 12.211, 12.212 (2015) (the actual pre-identification clauses can be found at 48 C.F.R. § 52.227-15 (2015)).
\bibitem{footnote184} Id.
\bibitem{footnote187} Xerxe Grp, Inc. v. United States, 278 F.3d 1357, 1360 (Fed. Cir. 2002).
\bibitem{footnote188} 48 C.F.R. §§ 52.227-14, 52.227-15, FAR 252.227-7013, 252.227-7014.
\bibitem{footnote188} Canadian Commercial Corp., 442 F. Supp. 2d at 17.
\end{thebibliography}
each bidder to include pricing information in its bid.\textsuperscript{189} CCC bid on, and was awarded, the contract.\textsuperscript{190} The contract incorporated by reference CCC’s pricing information.\textsuperscript{191} An unsuccessful bidder, Sabreliner Corporation (Sabreliner), later requested for a copy of the contract between CCC and the government under the Freedom of Information Act (FOIA).\textsuperscript{192} The government contacted CCC and requested that it identify trade secret or other sensitive information that it did not want to be released, and asked CCC to explain why the identified language was subject to an exemption from disclosure under the FOIA.\textsuperscript{193} CCC responded by seeking exemption for select trade secrets, including its line-item pricing information.\textsuperscript{194} The government rejected CCC’s response.\textsuperscript{195} Thereafter, CCC filed a reverse-FOIA lawsuit in an attempt to enjoin disclosure of its pricing information by the government.\textsuperscript{196}

The court found in favor of CCC and enjoined the government from disclosing CCC’s trade secrets under the FOIA to Sabreliner.\textsuperscript{197} The government contended that CCC would be unharmed by the disclosure because the government was not going to change contractors following the base contract due to the transition costs of changing contractors.\textsuperscript{198} The court, however, was unpersuaded by the government and found that a release of CCC’s pricing information would cause substantial competitive harm since competitive bidders could use such information to make lower bids for the option-year contracts.\textsuperscript{199} The government appealed the decision.\textsuperscript{200} On appeal, the Court of Appeals for the District of Columbia Circuit affirmed the lower court’s decision.\textsuperscript{201}

\textsuperscript{189} Id.
\textsuperscript{190} Id.
\textsuperscript{191} Id.
\textsuperscript{192} Id.
\textsuperscript{193} Id. at 18.
\textsuperscript{195} Id. at 21.
\textsuperscript{196} Id. at 22.
\textsuperscript{197} Id. at 41.
\textsuperscript{198} Id. at 38.
\textsuperscript{199} Id.
\textsuperscript{201} Id. at 43.
As this case illustrates, it is important to think broadly about what would potentially require trade secret protection. It is not only about the product, but also the pricing, vendors, suppliers, etc. Marking trade secrets is critical. Equally important is not disclosing (or disclosing as little as possible) information from which you derive a competitive advantage. Consider that the information you provide to the government may be subject to disclosure under the FOIA and made available to competitors. This is one of many reasons why you should think twice before bidding on a government contract.

IV. INTROSPECTIVE ANALYSIS OF YOUR ORGANIZATION AND ITS GOALS

For the reasons set forth above, contracting with the federal government comes with a unique set of risks that might not be compatible with every organization for a variety of reasons such as: its stage of life, strategy, or long-term goals. To avoid wasted energy and headaches, a company should have a firm grasp on its organizational identity before submitting a bid. This section offers guidance on how a company can gauge whether it should submit a government contract, and, if so, how to set itself up for success during the procurement process.

A. What Kind of Organization Are You?

A company that is contemplating contracting with the federal government needs to know its organization inside and out. A company that does not understand its competitive advantage and core competencies is likely to waste time and money trying to sift through the more than 30,000 opportunities posted on www.fbo.gov. In contrast, a company that knows itself will be able to narrow its searching criteria and target opportunities that match its profile.

Relatedly, a company needs to know and understand itself because the company will be facing stiff competition during the bid process. The company needs to be able to articulate exactly why it should be awarded the contract over its competition. Given these factors, a young company with a weak self-identity might consider putting off a government contract bid until it can better explain its purpose.
A company should also be aware of its size and reputation. Notably, a large company does not necessarily have the advantage typically associated with corporate giants when pursuing a government contract. In fact, the federal government has formal set-asides for companies owned by women, veterans, and other disadvantaged groups. In addition, the government has a goal of engaging small businesses for roughly 25% of its contracts. It is clear that size is not everything, and large and small companies alike need to consider how to address this fact.

Nonetheless, large companies are more likely to have relevant institutional knowledge and established connections on which they can rely. As a means to compete, a small, low-profile company might develop a strategy before randomly submitting bids. For example, a small company could identify two or three agencies that have a need for the organization's goods or services, and make a concerted effort to go to the events and seminars of those agencies. While government forms and databases can seem impersonal, there are opportunities to network with the decision makers and meet large contractors, which will shed light on what the agency is looking for, help establish a name for the company in the space, and increase their likelihood of being awarded a contract.

B. What Else Do You Have Going On?

A company considering contracting with the government should first determine whether it will have sufficient human and capital resources in the event it is awarded the contract. In doing so, a company should consider other opportunities that may be on its horizon, as government contracts can conflict the company out of doing business with select third parties. Therefore, a company should conduct a broad survey of its market position and strategy prior to contracting with the government to ensure that it does not thwart other lucrative, private sector opportunities.

On a broader level, if government contracting is not part of a company’s long-term success strategy, it might reconsider the value of

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dabbling in the space at all. By way of illustration, a major stumbling
for newbies is failing to learn the lingo; it takes a considerable
investment to learn more than 57,000 acronyms in government parlance
today.²⁰⁴ A one-time contract is probably not worth the time and money
needed to understand the language well enough to secure the contract.
Further, understanding the lingo is not just about winning the bid; a
failure to understand the language in the contract can lead to non-
response and non-performance determinations that can make an unwary
company wish that it had not won the bid in the first place. Therefore, a
company should take a step back and analyze whether it anticipates
making government contracting a part of its ongoing business strategy.

C. What Risks Are You Willing to Take?

The risk of losing or diluting intellectual property rights based
on a government contract often depends on the type of intellectual
property the contract involves: patent or patentable subject matter, data,
copyrighted material, or trade secrets. As discussed above, the scope
of rights retained by the contractor are governed by a complex mix of
legal and regulatory frameworks, and will depend on the subject matter,
funding source, and negotiations between the parties. While a company
should not rule out government contracting based on a fear of losing its
intellectual property rights, a company seeking to do business with the
government certainly needs to have a solid understanding of its
intellectual property and what is going to be developed or delivered
under the contract.

D. Don’t Go it Alone.

As previously noted, government contracting means big
business (i.e., nearly half a trillion dollars!). Unfortunately, the
procurement process can also be complicated. Many companies,
therefore, seek advice from independent consultants. A cottage industry
has developed around providing government contractors with support
every step of the way, including registering as a contractor (which is

4, 2012, 01:59 PM)
http://archive.federaltimes.com/article/20121204/ACQUISITION03/312040005/Say-
required) and writing proposals. Many companies hire consultants to assist in complying with the government's aggressive auditing system, which can be vital to winning bids.

There are alternatives for companies that do not want to engage a consultant. For example, there are Procurement and Technical Assistance Centers located throughout the country. These centers help businesses market their goods and services for different procurement opportunities. In addition, each agency typically publishes its acquisition forecast on their individual websites, and the federal government has assembled a wealth of resources to help navigate the waters of government contracting. Such resources include:

- GSA’s acquisition regulation website at www.acquisition.gov
- Federal Business Opportunities website at www.fbo.gov,
- Federal Procurement Data Base at www.fpds.gov
- GSA schedules website at www.gsaadvantage.gov

In terms of intellectual property, it is essential to engage competent legal counsel.

V. CONCLUSION

Contracting with the government comes with a unique set of risks and rewards. With billions of dollars up for grabs, there are obviously exciting business opportunities. That being said, there are general principles at play that are absent in private contracts, including: sovereign immunity, the actual authority of the contracting agent, the Christian doctrine, and the doctrine of segregability. Government contracts also have special rules with respect to intellectual property, including rights and licenses for patents, data, copyrights, and trade secrets. These factors, among many others, are things that a contractor needs to understand before entering a contract with the government. The contractor should conduct an introspective analysis prior to bidding on a contract to determine whether a government contract is in its best interest and how it can best protect its rights though negotiation and performance.
Appendix A

<table>
<thead>
<tr>
<th>Restriction</th>
<th>Type of License</th>
<th>Regulatory Elements</th>
<th>Funding</th>
<th>Rights</th>
<th>Standards</th>
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</thead>
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<tr>
<td>MOST Restrictive</td>
<td>Limited Rights</td>
<td>FAR &amp; DFARS</td>
<td>Privately Funded</td>
<td>W/1 Government, limited cases supporting internal use, or with permission</td>
<td>DFARS: Minimum required, FAR: Standard but negotiable</td>
</tr>
<tr>
<td>MOST Restrictive</td>
<td>Restricted Rights</td>
<td>FAR &amp; DFARS</td>
<td>Privately Funded</td>
<td>W/1 Government, limited cases supporting internal use, or with permission</td>
<td>DFARS: Minimum required, FAR: Standard but negotiable</td>
</tr>
<tr>
<td>Middle</td>
<td>Government Purpose Rights</td>
<td>DFARS only</td>
<td>Private/Public Mix</td>
<td>5 years limited to only internal government use, then converts to Unrestricted</td>
<td>N/A</td>
</tr>
<tr>
<td>LEAST Restrictive</td>
<td>Unrestricted</td>
<td>FAR &amp; DFARS</td>
<td>Public or categories like computer program manual</td>
<td>As user implies, unlimited rights to use, disclose, reproduce, prepare derivative works, distribute copies to the public, perform publicly, display publicly, and to have or permit others</td>
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