

The Top Ten Intellectual Property Issues in Government Contracts

Presented by:

Matti Neustadt Storie
Stoel Rives LLP

January 6, 2010



1

Stoel Rives LLP • www.stoel.com

Government Contracts and Intellectual Property

- Dealing with the government is different than dealing with private parties.
 - Sovereign Immunity.
 - Authority to Contract.
- Contracts can be deceptively simple.
- Issues can be deceptively complex.
- Learn to identify what risks exist, how to address them, and when to engage counsel.



2

Stoel Rives LLP • www.stoel.com

Number 1: Sovereign Immunity

- The government cannot be sued without its consent.
 - A private party cannot stop the government from taking intellectual property without an act of Congress to allow it.
- Variety of laws allow private parties to enforce Intellectual Property rights against the government.
 - Contract Disputes Act.
 - Federal Tort Claims Act.
 - Applicable agency regulation.



3

Stoel Rives LLP • www.stoel.com

Number 2: Authority to Contract

- Actual authority versus apparent authority.
 - No apparent authority in government contracting.
 - Agency regulation dictates when a Contracting Officer – or even government attorney – may negotiate specific terms.
- Ramifications:
 - Voided contract.
 - Voided contract provisions.



4

Stoel Rives LLP • www.stoel.com

Number 3: The *Christian Doctrine*

- *G.L. Christian v. United States*, 312 F.2d 418.
- The government cannot enter into a contract that is contrary to the terms set forth by law or regulation.
 - Contracts will be “reformed” to include the appropriate clauses.
 - Clauses that are not permitted will be eliminated.
 - Clauses erroneously “negotiated out” will be reinserted.
- Intellectual Property rights are “read in” to all government contracts.



5

Stoel Rives LLP • www.stoel.com

Number 3 - cont'd: The *Christian Doctrine*

- Must know the actual clauses authorized by Congressional authority to analyze the contract.
 - Unauthorized clauses will be “reformed.”
 - Cannot otherwise advise your client as to the true risks and benefits of the arrangement.



6

Stoel Rives LLP • www.stoel.com

Number 4: Types of Contracts

- Procurement.
 - Purchasing goods and services.
 - Commercial vs. non-commercial items.
 - FARs, DFARs, DEARs, other FAR supplements, agency procurement regulations.
- Non-Procurement.
 - Grants (including Recovery Act grants).
 - Cooperative agreements.
 - Technology Investment Agreements.
 - Venture funding.
 - Agency regulations on non-procurement transactions.



7

Stoel Rives LLP • www.stoel.com

Number 5: Flavors of Intellectual Property

- Patents.
- Data Rights.
 - Copyright.
 - Works made by the government (or employees of the government in the scope of their employment) are not "copyrightable."
 - But, government can own a copyright.
 - Trade Secrets.
 - Technical data.



8

Stoel Rives LLP • www.stoel.com

Number 5 - cont'd: Patents

In 2008, the U.S. military was granted 528 patents in the U.S. More than Apple, AstraZeneca, Verizon, and Google - *combined*.*

*Source: Intellectual Property Owners Association,
<http://www.ipo.org/AM/TemplateRedirect.cfm?template=/CM/ContentDisplay.cfm&ContentID=23598>

- Special notification required when prosecuting patents developed under government contract.
- March-In Rights.
 - Bayh-Dole Act.
 - FARs and supplements.
- License grants.



Number 5 - cont'd: Data Rights

- Rights in data (generally).
 - Rights in technical data.
 - Rights in computer software.
- Special considerations for software developed under government contract.
 - Commercial software vs. developed software.
 - Potential loss of trade secret option for developed software.



Number 5 - cont'd: Copyrights

- Government does not receive exclusive copyrights in works produced by government employees in the scope of their employment.
- No “march in” rights for copyright ownership.
- Licenses.
 - Unlimited rights.
 - Government purpose rights.
 - Limited rights.
 - Restricted rights.
 - Commercial license rights.



11

Stoel Rives LLP • www.stoel.com

Number 5 - cont'd: Trade Secrets

- Disclosing secrets to the government.
 - Trade Secrets Act.
 - Non-Disclosure Agreements.
 - The “hybrid” NDA.
- Procedural requirements for trade secret enforcement.
 - Notification / marking requirements.
 - Segregation requirements.
 - Reverse FOIA actions.
 - Agency-specific administrative proceedings.



12

Stoel Rives LLP • www.stoel.com

Number 6: Business Type

- Large business.
- Small business.
 - SBA small businesses.
 - Small Business Innovation Research (SBIR) partners,
- For Profit.
- Non-Profit.



13

Stoel Rives LLP • www.stoel.com

Number 7: Agency Philosophies

- “Government Purpose” Agencies.
 - DoD.
 - HHS.
 - NIH.
 - Most others.
- “Encouraging Innovation” Agencies.
 - DoE.
 - NASA.



14

Stoel Rives LLP • www.stoel.com

Number 8: Prime Contractor or Subcontractor

- Not all clauses in a prime contract are required to be passed through to subcontractors.
- In some instances, prime contractors are prohibited from requiring their subs to transfer Intellectual Property ownership.
 - Prime contractor may still negotiate for it.
- Notification language
 - Beneficial for use when organizations do not appear to be the “government”, but, in fact, are.
 - Beneficial when acting as subcontractor without notice as to the terms of the prime contract.



15

Stoel Rives LLP • www.stoel.com

Number 9: Flexibility (and lack thereof)

- Level of negotiation flexibility is primarily based on the agency, the type of contract, and type of business.
 - Easier to negotiate the specific deliverables and services than it is to negotiate specific clauses.
 - Flexibility is based on statutory discretion – not approval by Contracting Officer or even government attorney review.
- Clients should also consider flexibility in future projects.
 - Strict conflict of interest rules.



16

Stoel Rives LLP • www.stoel.com

Number 10: Doctrine of Segregability

- Rights determined at the lowest practical segregated level.
- Identification and segregation of “deliverables.”
 - Segregate finances.
 - Clearly identify deliverables.
- Leverage commercial items.
- Best opportunity for flexibility.



17

Stoel Rives LLP • www.stoel.com

Conclusion

- Risk versus reward.
 - Government contracts are big business.
 - In FY 2008, the U.S. government's obligation under “cost reimbursement” - type contracts alone was \$136 billion.
 - Terms related to intellectual property are not typical for similar contracts between private parties.
 - Broad licenses.
 - Ownership rights.
- Keys:
 - Identify the risk.
 - Determine if the risk can be mitigated and how.



18

Stoel Rives LLP • www.stoel.com

Questions?

Thank you.

Matti Neustadt Storie
503.294.9523
mnstorie@stoel.com

