IP and Technology in Government Contracts

Procurement and Partnering at the Federal and State Level

2021 Edition

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CHAPTER 1

Introduction to Government Contracts and Intellectual Property

SYNOPSIS

§ 1.01 Technology Markets in the Public and Private Sectors

§ 1.02 The Differences Between Public and Private Contracts

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§ 1.04 Intellectual Property Rights

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§ 1.01 Technology Markets in the Public and Private Sectors

We hold these truths to be self-evident: cutting-edge technology is a driving force behind America’s sustained economic growth; domestic technology and knowledge-based markets continue to grow; markets are generally open to American goods under the influence of free-trade treaties; and companies that specialize in high technology are increasingly global in scope and reach.

Slightly less obvious is how this revolution has effected changes in the roles and dynamic relationship between the public- and private-sector technology communities. United States (US) Federal Government contracts were once the driving force in the development of many cutting-edge technologies (including, notably, the Internet). In today’s marketplace, the private sector has taken the lead. This change in dynamics has not necessarily been reflected in changes in Government intellectual property (IP) policies, many of which are rooted in statute and thus not easily changed.

Nevertheless, the Government is a promising target for commercial or privately developed off-the-shelf products or services. Indeed business commentators have argued for decades that business-to-government sales are “the next hot opportunity” for technology companies. By most accounts, the US Government is the world’s largest consumer of goods and services; the aggregate spending of the 50 States is not far behind. The Federal Government’s demand—already measured in the billions of dollars—remains strong. And under the Federal Acquisition

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1 Government is capitalized to refer generally to the Federal Government of the United States. State is capitalized to denote the government of a particular State of the Union.

2 We decline to enter the debate regarding the relative contributions of former Vice President Al Gore and the Defense Advanced Research Projects Agency (DARPA) in the development of technologies that enabled the Internet.


4 See, e.g., Darryl K. Taft, Next E-Target: Uncle Sam, COMPUTER RESELLER NEWS (Apr. 21, 2000) (“E-government is the next hot opportunity for e-commerce solution providers, with newcomers vying to give established Beltway players a run for Uncle Sam’s money”), permanently archived at http://www.perma.cc/0x9ssXdDkaD; see also Eric Aaserud & Julia Fox, It May Be Time For Companies To Reconsider DOD Contracts, LAW360 (July 6, 2018) (“There have been several recent developments . . . that may give rise to optimism among innovative, commercially oriented contractors that have been avoiding the DOD”).


6 See generally Courtney A. Hofflander & Theodore M. Thompson II, At the Crossroads of Intellectual Property and Government Contracting: Case Studies and Practical Pointers, 7(1) CYBARIS 130, 160 (2016) (“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.”); see also W. Nicholson Price II, Grants, 34 BERKELEY TECH. L.J. 1, 3-4 (2019) (in 2016,
Streamlining Act of 1994, the Government is affirmatively required to seek out commercial platforms that might satisfy Government needs. “If the government partners with more startups, it could save taxpayers money, produce better products, and generate results faster.”

This is true both for commercial items and for the more traditional drivers of procurement spending. For example, the Department of Defense (DoD) continuously needs to develop affordable, yet cutting-edge, new weapons systems, and there is a Government-wide mandate in both the civilian and defense sectors to utilize commercial solutions to maintain, upgrade, or replace existing “legacy” systems in order to lower overall total ownership costs for Government-held technology. The DoD and other research-intensive Government agencies like the National Aeronautics and Space Administration (NASA) and the Department of Energy (DoE) thus have started to rely on the private sector to provide the latest and greatest available technologies. And demand by the Department of Government spent more than $64 billion on grants, on top of $100 million in prize authorities and $10 billion on R&D tax credits).


See, e.g., Palantir Technologies Inc. et al. v. United States, Ct. Cl. Case No. 1:16-cv-00784 (injunction order, Oct. 31, 2016); Daniel Wilson, Palantir Wins Challenge To $206M Army Deal, LAWS360 (Oct. 31, 2016) (“The decision is effectively the first under FASA, a 1994 law passed in the wake of scandals over wasteful spending by the Pentagon . . .”).


“Weapon and information systems acquired by DoD in support of the warfighter are, and will be, increasingly dependent on technology for its operation, maintenance, modernization, and sustainment. Acquiring and licensing the appropriate IP is vital for ensuring the systems will remain functional, sustainable, upgradeable and affordable.” DoDI 5010.44, Intellectual Property (IP) Acquisition and Licensing § 1.2 (Oct. 16, 2019).


Undersecretary of Defense For Acquisition, Technology And Logistics, Memorandum For Secretaries Of The Military Departments, Directors Of Defense Agencies: Subject: “Other Transaction” Authority For Prototype Projects (Dec. 21, 2000); see also Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics, Guidelines for Creating and Maintaining a Competitive Environment for Supplies and Services in the Department of Defense (Aug. 2014). This is not a new trend: the Government has long been interested in mechanisms for better utilizing its intellectual property to foster commercial marketplaces. See Federal Council For Science And Technology, Report On Government Patent Policy, at 1 (Combined Dec. 31, 1973, Dec. 31, 1974, Dec. 31, 1975, Sept. 30, 1976) (summarizing the various patent policies with regard to rights in contractor inventions were evaluated in light of the need for commercialization of these inventions by industry); W. Henry Lambright, Government, Industry, and the Research Partnership:
Homeland Security (DHS) and related agencies adds a new dimension—and perhaps a new urgency—to the same imperative.\(^{15}\) Even outside of the Federal Government, State government contracting opportunities are projected to grow as states begin to spend more resources on their information technology.\(^{16}\) As a leading treatise on IP licensing puts it:

> [T]hese [procurement] regulations can be cumbersome and arcane. But consider that the federal government and the contractors making up the American industrial contractor base are responsible for some of the most cutting-edge technology innovations of the information age. Also consider that the U.S. federal procurement system is generally viewed as the world’s best model for procurement transparency and integrity. Finally, consider that governments around the world are more often the largest purchasers of goods, services, and construction in the global economy. Realizing the significance of governments as purchasers and developers of intellectual property and technology innovations should make the study of government contracts and licensing a top priority.\(^{17}\)

In the first edition of this book, published by Oxford in 2009, we said that there was the makings of a perfect storm: the Government is seeking to maximize its use of commercial and nondevelopmental technologies, while private sector technology vendors are aggressively competing for previously untapped business opportunities in the new, wide-open, global marketplace.\(^{18}\) The intervening years have more than validated our belief that this convergence is real, growing, and essential to U.S. interests.\(^{19}\) But it is not quite that easy. There are numerous obstacles—some real, some imaginary—to the proliferation of public-private business relationships.\(^{20}\) Perhaps the key obstacle is that neither party is willing to abandon the comfort and safety of its traditional business model.\(^{21}\)

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treatment of intellectual property is often cited by both sides as a key reason (though not the only reason\textsuperscript{22}) for this disconnect.\textsuperscript{23}

Traditionally, Government sponsorship of technology research and development (R&D)—and the associated intellectual property rights (IPRs)—was structured around a business model in which the Government sat in the driver’s seat, both intellectually and financially. For many technology areas, large Government laboratories were recognized as the world leaders, focusing most of their resources on in-house or intramural R&D, rather than sponsoring outsourced extramural R&D by private-sector contractors. When the Government did offer up technology contracts, a large, captive military-industrial complex provided plenty of bidders. And private and State-funded universities (which often worked with the Federal Government) did not concern themselves with intellectual property protection, viewing it as inimical to academic ideals.


\textsuperscript{22} See, e.g., Daniel Wilson, \textit{Google’s AI Rules Show DOD’s Commercial Tech Difficulties}, \textit{LAW360} (June 12, 2018) (“even firms who don’t have ethical objections to working with the DOD within their leadership or employee base may not consider the possible defense applications of their technologies, because it simply isn’t part of their normal working experience or development process, or because they don’t want to jump through the necessary hoops, such as complying with federal acquisition regulations and dealing with the often-slow bidding process for winning contracts.”).

\textsuperscript{23} \textit{GAO, DOD IS TAKING STEPS TO ADDRESS CHALLENGES FACED BY CERTAIN COMPANIES, GAO-17-644} (July 2017); Christine C. Trend, \textit{Killing the Goose That Laid the Golden Egg: Data Rights Law and Policy in Department of Defense Contracts}, 34 \textit{PUB. CONT. L. J.} 288 (Winter 2005); Nancy O. Dix, Fernand A. Lavallee, & Kimberly C. Welch, \textit{Fear and Loathing of Federal Contracting: Are Commercial Companies Really Afraid to Do Business with the Federal Government}, 33 \textit{PUB. CONT. L. J.} 5 (Fall 2003); David S. Bloch & James G. McEwen, “\textit{Other Transactions” With Uncle Sam: A Solution to the High-Tech Government Contracting Crisis}, 10 \textit{TEX. INTEL. PROP. L.J.} 195 (2002); Diane M. Sidebottom, \textit{Updating the Bayh-Dole Act: Keeping the Federal Government on the Cutting Edge}, 30 \textit{PUB. CONT. L. J.} 225 (Winter 2001); Eli Mazour, \textit{If You Fix It, They Will Come; Drawing Lessons Learned from Patents for Dealing with Rights in Technical Data}, 38 \textit{PUB. CONT. L. J.} 667, 669–670 (2009) (“Now, more than ever, the best, and probably only, hope is for America to procure this technology from private companies. Yet once again, at a crucial point in America’s history, the Federal Government may have lost the ability to garner the needed technology. . . . Contractors justly believe that the regulations do not adequately protect their technical data rights—valuable intellectual property that companies need to know they can protect”).
The Government viewed its technological role as sponsoring basic research, not applied product development. Even today, R&D is generally tax-deductible and the Government funds the lion’s share of basic research. But there was a rift between basic research and commercialization, and a perception that technological developments would be directed by Government needs. Similarly, there is a disconnect between agencies which acquire the technology, and agencies which maintain the technology which in turn are both in conflict with industry business practices for different reasons. This disconnect and conflict has created tensions within the larger acquisition community. As recently noted by a Government Industry Advisory Panel recently relative to Department of Defense procurement practices, “the topic of Intellectual Property (IP) (both rights and delivery requirements), while nuanced and complex, is a topic acquisition professionals must understand.”

This understanding generally requires acquisition professionals in industry and Government to be willing to engage with each other differently.

This traditional system gave the United States unquestioned military superiority and the finest basic-research infrastructure on the planet. Somewhere along the line, though, intellectual property became a, if not the, driver of the global economy. This shift to a knowledge-based economy has been gradual but is undeniable. Fifty years ago, the largest portion of the value of America’s largest companies was in physical assets—plants and manufacturing technologies. Now, the balance has neatly shifted to intangible property. Indeed, when looking to acquire a company, most acquiring companies consider intellectual property to be the most important asset in the acquired company. Since 2003, the share of US gross domestic product (GDP) attributable to IP-intensive industries has nearly doubled, from approximately 20 percent, to 34.8% in 2012, to 38.2% in 2013.


29 Mergermarket, M&A Insights: Spotlight on Intellectual Property Rights, 2 (Dec. 2008) (“72 percent of private equity respondents and 85 percent of corporate respondents who agree that IP portfolios are equally if not more important than other assets when evaluating a target”).


31 Intellectual Property and the U.S. Economy: Industries in Focus (March 2012) available...
2016. As a consequence, universities and private commercial companies place increased emphasis on the acquisition and enforcement of IPRs.

IPRs confer a limited right to exclude others. Though it is misleading to refer to an intellectual property “monopoly,” an intellectual property owner can restrict the extent to which its competitors can practice a given invention, express a given idea, or brand a particular product. A business that acquires IPRs expects both to practice innovations and prevent copycats, thereby giving the IPR owner the opportunity to secure financing, further develop the technology, and obtain profits stemming from up-front R&D investments. And various laws, such as the Sarbanes-Oxley Act of 2002, positively require publicly traded companies to account for and preserve their intellectual property.

Key patents may drastically affect a company’s financial position—either in terms of fluctuations in stock prices resulting from the issuance or loss of IP, infringement damages from litigation, or even uncertainty as to when damages might be assessed.

The public sector has arrived—albeit somewhat belatedly—at the same conclusions. The Government now realizes that, unless it builds flexibility into its procurement practices, it may fail to obtain the best services and technologies. Protection of IPRs is a critical component of an effective twenty-first century high-technology procurement strategy. This is thus one of the drivers of the so-called Revolution in Military Affairs (RMA). “While there is ample scope for US defense expenditures on research, the market-state is nevertheless dependent on the private sector to create these technologies; this dependence will accelerate the pace of the RMA because the marketplace will quickly make obsolete communications technologies for which the U.S. government is the only purchaser.”

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34 See 15 U.S.C. § 7241 (signing officers “are responsible for establishing and maintaining internal controls,” designing and evaluating such controls, and reporting to the audit committee any deficiency with such internal controls). See also Victoria Slind-Flor, The Approaching Storm, INTELLECTUAL ASSET MANAGEMENT § 1.01 (Oct./Nov. 2006) (indicating that there have been a number of non-IP cases in which IP was a prominent issue, including Barrus v. Sylvania, 55 F.3d 468 (9th Cir. 1995), Aetna US Healthcare v. Hoechst AG, 48 F. Supp. 2d 37 (D.D.C. 1999), and In re Tamoxifen Citrate Antitrust Litigation, 429 F.3d. 370 (2d Cir. 2005) (superseded by rule as stated by In re K-Dur Antitrust Litigation, 2009 U.S. Dist. LEXIS 11756 (D.N.J.))).

35 See, e.g., Rambus Shares Drop; ITC Delays Patent-Case Ruling Date, WALL STREET JOURNAL, May 26, 2010 (announced delay in ITC patent infringement suit caused stock to drop 8.6 percent); Matthew Herper, Lipitor Factory Is One Pfizer Casualty, FORBES.COM, Mar. 19, 2010 (loss of patent protection for pharmaceutical products causing plant closing); Ben Hirschler, Drugmakers face $140 bln patent “cliff”, REUTERS, May 2, 2007 (report that drug-makers face $140 billion annual loss by 2016 due to products going off patent).

36 Philip Bobbitt, THE SHIELD OF ACHILLES 308 (2002); see also Dan Goure, Is There a
However, this flexibility needs to also account for the Government’s decidedly peculiar requirements: public disclosure of some technologies, sustainment and maintenance philosophies, and the need to competitively integrate and upgrade technologies over time. Recognizing these issues as being especially acute in the Department of Defense, Congress commissioned studies from two panels comprising public and private sector participants to review the Department of Defense’s policies relative to commercial technologies and its uses of intellectual property and obtain recommendations, and is in the process of implementing the recommendations.\textsuperscript{37} Progress on reforming the Federal acquisition system is being closely monitored by the General Accountability Office.\textsuperscript{38}

Failing in that task would have obvious social costs. The Government needs to protect its preeminence in weaponry, avionics, information technology, and a host of other fields. Falling behind would endanger the nation’s security, both because the US needs top-of-the-line weapons systems to compete with emerging threats, and because the availability of cutting-edge information technology is essential to homeland security and the efficient delivery of Government services. The Government also views intellectual property as an important mechanism for promoting domestic industry, as evidenced by, \textit{e.g.}, domestic manufacturing requirements.\textsuperscript{39} The failure to encourage IP R&D would be particularly harmful to small businesses, which represent an important engine of societal growth and for the protection of which the Bayh-Dole Act was created.\textsuperscript{40} This book discusses

\textit{Military-Technical Revolution in America’s Future?}, \textsc{Washington Quarterly}, vol. 16, at 180 (1993) (“To the extent that the defense sector increases its dependence on the commercial sector for the ability to support and reconstitute its forces, it will be further pushed in the direction of a revolution by necessity”).


\textsuperscript{38} See GAO, DOD IS TAKING STEPS TO ADDRESS CHALLENGES FACED BY CERTAIN COMPANIES, GAO-17-644 (July 2017); GAO, FEDERAL ACQUISITIONS: CONGRESS AND THE EXECUTIVE BRANCH HAVE TAKEN STEPS TO ADDRESS KEY ISSUES, BUT CHALLENGES REMAIN, GAO-18-627 (Sept. 2018).


\textsuperscript{40} 35 U.S.C. § 200 (“It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise without unduly encumbering future research and discovery; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the
the Government’s sophisticated efforts to acquire and protect intellectual property, and explores a contractor’s rights vis-à-vis the Government at the State and Federal levels.

§ 1.02 The Differences Between Public and Private Contracts

[1] Overview

For those unfamiliar with the realm of procurement law, the vast number of acronyms and complicated rules may appear daunting. But these features are largely cosmetic. In fact, public-sector procurement rules largely track their private-sector counterparts. Of course, that is not to say that the two are the same. The Government does not differ from a private-sector entity merely in size, scope, or money; it differs in kind. The Government has unique powers, some of which are unavailable to a private company, no matter how large or influential.


Sovereign immunity refers generally to the fact that the Government cannot be sued without its consent. Put another way, no private party can stop the Government from taking real or intellectual property, although it is within the power of the Government to consent in allowing the private party to do so. This immunity is an inherent attribute of Statehood pursuant to the Eleventh Amendment and also attaches inherently to the Federal Government. (We discuss State-level sovereign immunity in Chapter 5.) “As the United States are not suable of common right, the party who institutes such suit must bring his case within the authority of some act of Congress, or the court cannot exercise jurisdiction over it.” And immunity from litigation is, in some real sense, immunity from the legal consequences of one’s actions.

Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area’); Howard Bremer et al., The Bayh-Dole Act and Revisionism Redux, 78 PTCJ 483 (Aug. 14, 2009) (discussing reasons for implementing Bayh-Dole Act in promoting taxpayer-funded innovation and evidence showing effectiveness).


44 Hans v. Louisiana, 134 U.S. 1 (1890). The Eleventh Amendment states: “The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.” U.S. CONST. amend. XI.


46 Clarke, 33 U.S. at 444; accord. United States v. Thompson, 98 U.S. 486, 489 (1878) (mem.)
Thanks to sovereign immunity, the Government is not bound by contractual choice-of-law or choice-of-venue provisions.\textsuperscript{47} But the threat that one party to a contract can act with complete impunity is not conducive to amicable Government-contractor relations. Recognizing this problem, the Government has enacted limited waivers of sovereign immunity for suits based in contract, tort, and for infringement of all of the key forms of IP.

For lawsuits based in contract, the Government has waived its sovereign immunity under the Tucker Acts and the Contract Disputes Act (CDA). The “Little Tucker Act” provides for jurisdiction for any district court for contract disputes not exceeding $10,000;\textsuperscript{48} while the “Big Tucker Act” provides exclusive jurisdiction in the Court of Federal Claims for contract disputes in excess of $10,000.\textsuperscript{49} For procurement contracts—including contracts for the procurement of intellectual property—the CDA applies.\textsuperscript{50} The CDA creates a comprehensive system for resolving disputes between a contractor and the procuring Government agency.\textsuperscript{51} At the same time, the CDA is scoped around the contract between the prime contractor and the Government; this can be problematic for the subcontractor community, which lacks privity with the Government.

The Federal Tort Claims Act (FTCA) allows suits over certain Government torts.\textsuperscript{52} The FTCA limits the tort damages to which the Government is exposed.\textsuperscript{53} Lawsuits can be filed in any federal court, but only if certain prerequisites are met. The FTCA generally does not confer jurisdiction over IP claims, with the possible exception of trade secrets.\textsuperscript{54}

The Court of Federal Claims is empowered to hear most IP disputes, depending on how the Government has waived its sovereign immunity for a specific cause of action. There is exclusive jurisdiction over patent and copyright claims,\textsuperscript{55} concurrent jurisdiction with other federal courts for trade secret claims,\textsuperscript{56} and


\textsuperscript{48} 28 U.S.C. § 1346.

\textsuperscript{49} \textit{Id.} § 1491.

\textsuperscript{50} 41 U.S.C. §§ 7101–7108.

\textsuperscript{51} \textit{Id.}

\textsuperscript{52} 28 U.S.C. §§ 2671 et seq.

\textsuperscript{53} See \textit{id.}


\textsuperscript{55} 28 U.S.C. § 1498.

\textsuperscript{56} 5 U.S.C. § 552 (reverse FOIA suits in any Federal court for injunction only); 28 U.S.C. § 1491 (Court of Federal Claims suits for damages over breach of implied contract to protect trade secrets); \textit{id.} §§ 2671 et seq. (suits for money damages arising out of tortious disclosure of trade secrets in any Federal court). Any Federal district court has jurisdiction over Defend Trade Secrets Act claims, 18
concurrent jurisdiction with federal and State courts for trademark infringement claims.\textsuperscript{57}

The Government has capped the damages available under most intellectual property laws and has broadly removed the possibility of injunctive relief for lawsuits arising under the Patent and Copyright Acts.\textsuperscript{58} Nor has the Government waived sovereign immunity at all for specific types of infringement.\textsuperscript{59} Since waivers of sovereign immunity “must be construed strictly in favor of the sovereign and not enlarged beyond what the language requires,”\textsuperscript{60} such waivers are not implied and must be explicit. As such, as we discuss in Chapter 4, the Government can and does limit both the location at which a claim may be brought as well as the types of relief afforded for different types of IP infringement, making framing the claim highly important to ensure relief has been requested in the appropriate forum.

Sovereign immunity cuts both ways. For example, because the Government is not a “person” for purposes of the America Invents Act, the Supreme Court concluded in \textit{Return Mail v. United States Postal Service} that the Postal Service cannot use the Patent & Trademark Office’s \textit{inter partes} review process to invalidate patents asserted against the Government.\textsuperscript{61} The scope of this rule is unclear, however, as the Federal Circuit concluded not long after this Supreme Court precedent that Federal Reserve Banks (which in the closely related context

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{57} 15 U.S.C. §§ 1114, 1122, 1127 (suits for monetary damages and injunctive relief in any State and Federal court for trademark infringement).
\item \textsuperscript{58} 28 U.S.C. § 1498.
\item \textsuperscript{59} The Government cannot be held liable for violations of the Digital Millennium Copyright Act. \textit{Blueport Co. v. United States}, 71 Fed. Cl. 768 (2006), aff’d 533 F.3d 1374 (Fed. Cir. 2008). \textit{Blueport}’s holding may imply a similar immunity for other specialized forms of IP, like mask works and boat vessel hulls.
\item \textsuperscript{60} \textit{U.S. Dep’t of Energy v. Ohio}, 503 U.S. 607, 615 (1992) (internal quotation marks, citations, and alterations omitted); \textit{Lane v. Pena}, 518 U.S. 187, 192 (1996). But see \textit{Richlin Security Service Co. v. Chertoff}, 553 U.S. 571 (2008); \textit{Burch v. Sec’y of Health and Human Servs.}, 2010 U.S. Claims LEXIS 154 (Apr. 9, 2010) (“a number of federal courts have stated that ‘remedial’ or ‘welfare’ legislation should be given a ‘broad construction’ or a ‘liberal interpretation’ in order to further the ‘remedial,’ ‘beneficent,’ or ‘humanitarian’ purposes behind the statute’”); \textit{Delano Farms Co. v. Cal. Table Grape Comm’n}, 655 F.3d 1337 n.6 (Fed. Cir. 2011) (allowing equitable jurisdiction under the Administrative Procedure Act because “USDA’s act of obtaining ownership of the patents makes it subject to the declaratory judgment action seeking to invalidate the patents or hold them unenforceable”).
\item \textsuperscript{61} \textit{Return Mail, Inc. v. United States Postal Service}, 587 U.S. ___, 139 S. Ct. 656 (2019).
\end{itemize}
\end{footnotesize}
of litigation under 28 U.S.C. § 1498 are considered Government entities\textsuperscript{62} can use the IPR process to invalidate patents asserted against them.\textsuperscript{63}

When analyzing sovereign immunity for Government actions regarding privately owned intellectual property, naturally the concepts of eminent domain and the taking of private (intellectual) property must be addressed. Under the Takings Clause of the Fifth Amendment to the United States Constitution, the Government cannot appropriate private property without compensating the owner: “nor shall private property be taken for public use, without just compensation.” Each State has enacted its own version of the Takings Clause, which provides at least as much protection against such takings as discussed in greater detail in Chapter 5.

Generally, Federal takings of business assets (as opposed to land) have occurred only in times of national military emergency.\textsuperscript{64} And the Court of Federal Claims is specifically empowered to hear Takings Clause claims by private citizens or corporations.\textsuperscript{65} But Government use of contractor intellectual property is only compensable if there is a specific waiver of sovereign immunity.\textsuperscript{66} At present, trade secrets are considered “property” for purposes of the Fifth Amendment,\textsuperscript{67} but whether patents and copyrights qualify is an open question that increasingly is being answered in the negative.\textsuperscript{68} This rather significant limitation has generated a host of creative thought as to how to enforce IPRs against the Government.\textsuperscript{69} We discuss different ways to enforce IP rights against the

\textsuperscript{62} See Advanced Software Design Corp. v. Fed. Reserve Bank of St. Louis, 583 F.3d 1371, 1378 (Fed. Cir. 2009).

\textsuperscript{63} Bozeman Financial LLC v. Federal Reserve Bank of Atlanta, 955 F.3d 971 (Fed. Cir. 2020).

\textsuperscript{64} Youngstown Sheet & Tube Co. v. Sawyer, 343 U.S. 579 (1952).

\textsuperscript{65} 28 U.S.C. § 1491.


\textsuperscript{68} Golden v. United States, 955 F.3d 981, 986 (Fed. Cir. 2020) (adopting Zoltek V); Lamson v. United States, 101 Fed. Cl. 280, 285–286 (2011) (holding that the Fifth Amendment’s Takings Clause does not prevent Government infringement of patents or copyrights, nor is the Tucker Act available as an avenue for relief); Christie, Inc. v. United States, 141 Fed. Cl. 641 (2019) (patents are “public frachies” and thus cannot be private property for Takings purposes); Demodulation, Inc. v. United States, 118 Fed. Cl. 69, 73 (2014) (“Count IV is dismissed to the extent that Plaintiff attempts to fashion its patent infringement claim as a Fifth Amendment takings claim. A patent infringement claim is a tort claim and therefore is excluded by the Tucker Act’s prohibition on ‘cases sounding in tort.’ The only way to bring a patent infringement claim in this Court is to assert the claim under 28 U.S.C. § 1498(a)”); Keehn v. United States, 110 Fed. Cl. 306, 355 (2013) (“plaintiff’s Fifth Amendment takings theory is without merit. It is 28 U.S.C. § 1498(a), not the Fifth Amendment to the United States Constitution, that provides the waiver of sovereign immunity that enables a plaintiff to file suit against the government for patent infringement”).

Government in Chapter 4, and provide a corresponding discussion of claims against each State in Chapter 5.

[3] Authority to Contract

As a general principle, only Government personnel with actual contracting authority may bind the Government to a proposed contract. This extends even to contracts where no money changes hands. Unlike private-sector contracts, in which implied or apparent authority may still bind the parties, if the Government’s representative lacks actual authorization, the contract could be entirely void—absent an appropriate ratification or reformation—regardless of the extent to which the private party may have relied upon a Government representative’s words or actions. "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." Authority here has two related meanings.

First, the Government agency, activity, or organization must have the requisite power to enter into a particular type of binding agreement. In general, the Government is viewed as having the inherent constitutional authority to contract as necessary to discharge its official duties, provided that the subject matter of the contract is not prohibited by law and is related to the execution of an otherwise authorized Government mission. In addition, in most cases, there are specific statutory authorities that expressly authorize particular contracting activities.
Second, the Government employee who is representing the interests of the agency must have the requisite contracting authority in order to bind the agency. Agency heads, by virtue of their positions, are vested with contracting authority. They usually delegate that authority to the Head of Contracting Activities (HCA).\(^{76}\) Most commonly, individual procurement contracts are executed by Contracting Officers, who are appointed with preset contracting authority delegated via the HCAs.\(^ {77}\) However, the Contracting Officer does not have unfettered ability to bind the Government to requirements, such as where requirements are created outside of the applicable regulations and statutory framework.\(^ {78}\)

Issues surrounding authority to contract are rare in the ordinary course of Government procurement contracting. The substantial body of statutory and regulatory requirements and longstanding practice ordinarily work to ensure that any business opportunity being solicited by the Government is supported by the involvement of persons with the appropriate authority. For example, since these agreements necessarily involve the obligation of Federal funds, fiscal laws, regulations, and oversight practices are an effective safety net to ensure the authorization for a binding commitment. Disputes over authorization are more common in less regulated and formalized transactions, such as Non-Disclosure Agreements (NDAs) and Memoranda of Agreement or Understanding (MoA/MoU), and possibly also purchase orders.\(^ {79}\) These types of agreements are discussed in more detail in Chapter 3.

[4] **Prompt Payment and Interest Clauses**

Compensation is, of course, a necessary part of any valid contract in the Government or the commercial space. Private parties often include both timing provisions and penalties for late payment in their contracts. But such clauses are

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\(^{76}\) FAR 1.601(a).

\(^{77}\) FAR 1.602. The Contracting Officer’s authority is defined by a specific delegation of authority from the HCA, using Standard Form (SF) 1402, Certificate of Appointment. FAR 1.603-3. This delegation is generally referred to as the Contracting Officer’s “warrant”—which expressly establishes the limits of that individual’s authority (e.g., type of contracting actions or dollar limits on such actions).

\(^{78}\) *McDonnell Douglas v. United States*, 670 F.2d 156 (Cl. Ct. 1982).

\(^{79}\) *Kingdowmare Techs. v. United States*, 2016 U.S. LEXIS 3921, 597 U.S. ___ (2016), slip op. at 11 (indicating *in dicta* that any instrument that “creates mutually binding obligations: for the contractor, to supply certain goods or services, and for the Government, to pay” is a contract under the FAR). With respect to Non Disclosure Agreements, the Army has expressed a policy which will create and recognize Non Disclosure Agreements. ENABLING MODERNIZATION THROUGH THE MANAGEMENT OF INTELLECTUAL PROPERTY, Army Directive 2018-26 (December 2018), available at https://armypubs.army.mil/ProductMaps/PubForm/Details.aspx?PUB_ID=1005970 (last visited January 20, 2018). However, the implementation guidance and document are not available at the time this edition went to press.
only partially effective in the government context.\textsuperscript{80} Rather, the Prompt Payment Act\textsuperscript{81} provides that the Government normally must pay undisputed invoices within 30 days (though it can agree to a different schedule) and will pay interest at a rate set by the Secretary of the Treasury. This is often less than the “punitive” interest rates imposed by commercial software licenses. The Government is, however, permitted to accept prompt payment discounts.\textsuperscript{82}

\section{The Christian Doctrine}

Another important difference between Government and commercial contracts is that there is a significant body of published rules that regulates Government contracts. These rules are expressed in the form of mandatory Federal Acquisition Regulation (FAR) requirements, provisions, and clauses.\textsuperscript{83} With limited exceptions, these FAR clauses cannot be negotiated away. And if the Government neglects to include them in a particular contract, they nevertheless will apply and bind the private contractor by operation of law.

Under the so-called \textit{Christian Doctrine} (based on \textit{G. L. Christian v. United States}), important regulations are “read into” all Government procurement contracts, even if the clause was not included in the instrument executed by the parties.\textsuperscript{84} Similarly, if the contract includes the incorrect clause, the erroneous clause is “eliminated” and the correct one incorporated;\textsuperscript{85} and even in cases in which a clause may have been intentionally “negotiated out,” it will be reinserted by operation of law.\textsuperscript{86} “For a court to incorporate a clause into a contract under the \textit{Christian} doctrine, it generally must find (1) that the clause is mandatory; and (2) that it expresses a significant or deeply ingrained strand of public procurement.”\textsuperscript{87}


\textsuperscript{81} Chapter 39 of 31 U.S.C. and implemented at 5 C.F.R. Part 1315.

\textsuperscript{82} 5 C.F.R. 1315.7.

\textsuperscript{83} The Federal Acquisition Regulation is codified at Chapter 1 of Title 48 of the Code of Federal Regulations, with agency-specific supplements in the remaining chapters.

\textsuperscript{84} \textit{G. L. Christian & Assocs. v. United States}, 312 F.2d 418, aff’d on reh’g, 320 F.2d 345 (Ct. Cl. 1963); see also \textit{De Matteo Constr. Co. v. United States}, 600 F.2d 1384, 1391 (Ct. Cl. 1979); see generally Courtney A. Hofflander & Theodore M. Thompson II, \textit{At the Crossroads of Intellectual Property and Government Contracting: Case Studies and Practical Pointers}, 7(1) CYBARIS 130, 136–138 (2016).


\textsuperscript{86} In \textit{FilmTec Corp. v. Hydranautics}, for example, title to the plaintiff’s patent was automatically divested mid-litigation due to a judicial finding that the patented product qualified as a “subject invention” under the Saline Water Conversion Act. \textit{FilmTec Corp. v. Hydranautics}, 982 F.2d 1546 (Fed. Cir. 1992). Likewise, in \textit{General Eng’g & Mach. Works v. O’Keefe}, 991 F.2d 775 (Fed. Cir. 1993), a deliberately omitted clause was “read in” to the contract even though a Government audit subsequently approved the omission. Id. at 780.

\textsuperscript{87} \textit{K-Con, Inc. v. Secretary of the Army}, 908 F.3d 719, 724 (Fed. Cir. 2018).
rights—in which most key clauses are based on statutory requirements. However, the Court of Federal Claims held in 2020 that Bayh-Dole IP clauses are not necessarily incorporated into non-procurement contract vehicles, so the extent of the Christian doctrine’s influence on IP is unsettled and especially in the area of non-traditional instruments. The implications of this doctrine for prime and subcontractors, are discussed in greater detail in Chapter 2 relative to traditional procurement instruments, as well as in Chapter 3 for non-traditional procurement instruments.


The Government typically relies on contractors (or, more broadly, the private sector) to commercialize innovations, even if they are 100 percent Government funded. And typically, the Government does not require ownership of the intellectual property, but instead relies on licenses from the contractors to meet the agency requirements. The importance of contractor ownership cannot be overstated, because it allows contractors to develop and reuse Government-funded technology, thus applying Government-funded, contractor-owned IP to create or support commercial markets. Government ownership would, conversely, unnecessarily inhibit such development.

The Government’s needs for intellectual property diverge according to the type of IP in question. With respect to patents, the Government generally is not interested in sharing royalties from commercialization, but typically does retain the right to utilize an invention for Government purposes—which includes allowing competitors to utilize the licensed IP in future competitions and follow-on Government contracts. With respect to copyrights and trade secrets (“data”), the Government has requirements to publish certain reports and software, and other requirements to use data to procure, upgrade, and maintain technologies. These data license requirements can drive requirements for IP rights other than what is sufficient relative to patents. The Government’s competition-in-contracting obligations make it difficult for it to engage in long-term sole-source supply or service arrangements, as would often be available to co-developing partners in the private sector. Instead, the Government is chiefly concerned with ensuring that it does not pay royalties on any IP developed using Government funds. Recent policy statements confirm that the Government (or, at least, the DoD) will aggressively seek competition throughout the life cycle of


90 See, e.g., FAR 27.202-3 (b)(1) (requiring an adjustment of royalties where government already has license in patent).
its platforms. But case law also confirms that private-party data rights will be respected, and that sole-source contracting is permissible when only one firm possesses the necessary data rights.

In addition, there are a host of procurement-unique contracting requirements that are specified by law, regulation, or policy for Government contracts, which are understood by traditional contractors but, which are foreign to commercial companies. Examples of procurement-unique contracting requirements include: mandatory competition for awards; contractor responsibility, suspension, and debarment; procurement integrity, source selection procedures, and bid protests; mandatory performance by the contractor, combined with the Government’s right to terminate for convenience or default; and disputes and claim procedures. These issues are discussed in more detail in Section 1.03, below.

Unique IP considerations in Government contracts include: mandatory disclosure; election of title, filing, reporting, and licensing requirements for inventions made under a funding agreement; notice and marking requirements for asserting restrictions on technical data and computer software; and the specific allocation of title and standard license rights governing technical data and computer software. Indeed, the GSA has identified a 15-point “fail list” of clauses in commercial software licenses that are nearly always invalid under the Federal Acquisition Regulation, and has addressed these typical deficiencies in a mandatory order-of-precedence clause that imposes FAR rules with respect to:

- Definitions of contracting parties
- Statements regarding contract formation
- Vendor indemnification clauses
- Automatic renewals of term-limited agreements
- Future fees or penalties
- Allocation of taxes or tax liabilities
- Payment or invoicing terms
- Automatic incorporation or deemed acceptance of third-party contracts
- Governing law (particularly, contract terms that purport to be governed by State or foreign law)
- Equitable remedies for breach, including injunction rights and the obligation to bring disputes to binding arbitration
- Supplier unilateral right to terminate contract
- Supplier unilateral right to modify contract

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92 Wamore, Inc., GAO B-417450, B-417450.2 (July 9, 2019).
• Assignment of contract rights or obligations
• Confidentiality of supplier terms and conditions
• Audit rights

While other agencies do not share the view as to all of these terms and conditions, the FAR has implemented a specific clause (FAR 52.232-39) on the subject of indemnification and, more controversially, the Department of Defense creates procurement-unique special contract requirements (“H clauses”) that include additional requirements.

These issues (to the extent they relate to IP) are discussed in more detail in Chapters 2 and 3.

§ 1.03 The Practical Mechanics of Government Contracting

[1] Business Analogy

The Government fields fleets of products, such as ships, aircraft, automobiles, and spacecraft. It also operates other unique projects, in such diverse fields as pharmaceutical development, radioactive waste disposal, alternative energy, and the continued development and exploration of space. In each of these products and operations, the Government must obtain the expertise of outside contractors, who work on behalf of and provide services to it. In this sense, it operates in the same manner as a business conglomerate, with specific core operations performed by Government employees and the remaining ones performed via service contracts or the functional equivalent of Original Equipment Manufacturers.

[2] Solicitation of Bids and Proposals

Historically, companies interested in contracting with the Government had to peruse a wide range of official publications. Federal Government contract opportunities were published in the Commerce Business Daily, and each State (plus many municipalities) had similar paper-publication systems. Though it remains true that connecting buyer and seller is harder in the Government market than in the private sector, the Internet has made searching for opportunities much easier than in years past. For example, all Government procurement opportunities over $25,000 are now posted online, in searchable form: “Through one portal—FedBizOpps (FBO)—commercial vendors seeking Federal markets for their products and services can search, monitor, and retrieve opportunities solicited by the entire Federal contracting community.”

§ 1.03[1] IP and Technology in Government Contracts

93 GSAR 552.212-4.


Carolina,\(^96\) South Carolina,\(^97\) and Texas\(^98\)—and forward-looking foreign countries, such as Australia,\(^99\) have followed suit and partially or fully enabled e-procurement systems. Some agencies circulate requests for proposals and invitations to bid via e-mail to interested subscribers, free of charge, based on user-defined profiles. And companies such as B2GMarket,\(^100\) Onvia,\(^101\) and EZ GSA\(^102\) operate subscriber-based Internet clearinghouses of international and domestic Government-contracting opportunities.

[3] Contractor Qualification and Responsibility

Companies may need to “qualify” before becoming eligible for certain Government contracts. For Federal contractors, a company needs to obtain its DUNS number from Dun & Bradstreet and register in the System for Award Management databases. In order to work with the DoD, contractors also need a Commercial and Government Entity (CAGE) number from the Defense Logistics Agency.\(^103\) These numbers plug into the Government’s accounting and oversight system, allowing companies to get paid for the contracts they win. Though registration may involve a nontrivial up-front investment of time and resources, it can clear the path to lucrative future contracts. And the Government is doing a decent job of standardizing and streamlining the process. For example, the DoD’s Central Contractor Registration (CCR) program allows a company to complete a single registration form in order to contract with any organization falling under the department’s aegis.

The Office of Federal Procurement Policy has helped streamline Government contracts, creating standard contract terms and regulations. As a consequence, there are relaxed and simplified rules for acquiring commercial software and other products of a type “customarily used” by nongovernmental consumers.\(^104\)


The variety of contract types available can allow for substantial flexibility, depending on the work requested. For instance, although generally the Government is constrained to follow procurement rules, certain contract types allow for
substantial deviations. Commercial item procurement permits the purchase of commercial intellectual property, even with minor modifications, under the greatly simplified regulations of FAR Part 12. Commercial item procurements are strongly encouraged by the Federal Acquisition Streamlining Act. Additionally, the entire structure of the Federal Acquisition Regulation is not applicable to specified Other Transactions (OTs), venture funding, and some other special types of research and prototyping agreements that often can be used as vehicles for technology development or sales. We discuss these new contract forms in Chapter 3.

[5] Socioeconomic Considerations

Small companies should bear in mind their potential advantages in seeking Government work. In addition to policies favoring competition, most States and the Government have affirmative-action and small-business mandates or set-asides. Companies that are minority-, woman-, or service disabled-veteran-owned, or that satisfy Small Business Administration (SBA) criteria for size, may have an advantage when competing for Government work against giants like Boeing, Northrop Grumman, Microsoft, or Oracle; or these rules can at least provide an incentive for these companies to subcontract with companies eligible for the set-asides. Set-aside programs often provide for improved IP protections for small businesses as compared to protections afforded large businesses. Also, the procurement laws and regulations provide protections not normally afforded a subcontractor in the commercial context. For example, subcontractor patent rights may bypass the prime contractor and exist only between the

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107 One example of venture funding is funding available from the CIA through In-Q-Tel, a description of which can be found at https://www.iqt.org/ (last visited Jan. 22, 2018). As another example, the Department of Energy has for several years offered “H-Prize” funding for research regarding hydrogen fuel cells and related hydrogen-based power sources. See 42 U.S.C. § 16396(f); http://www.hydrogen.energy.gov/ (last visited Jan. 22, 2018). Likewise, NASA “may carry out a program to competitively award cash prizes to stimulate innovation in basic and applied research, technology development, and prototype demonstration that have the potential for application to the performance of the space and aeronautical activities.” 51 U.S.C. § 20144 (a). Still another example is the Department of Defense’s Defense Innovation Unit Experimental, or DIUx (https://www.diu.in/), whose mission is to enhance the use of commercial technologies for military purposes. See Daniel Wilson, Carter Says DOD Wants Tech Firms Despite What Court Thinks, LAW360 (Nov. 4, 2016).


109 See FAR 52.227-20 (DEC 2007) (rights in data for SBIR program), DFARS 252.227-7018 (May 2013) (rights in data for SBIR program).
Government and the subcontractor.\textsuperscript{110} A like concept exists in relation to data, and within the Department of Defense, there are also provisions that allow subcontractors to provide and license their data directly to the Government instead of through the prime. Because many companies initially enter the procurement world through subcontracts, these protections can prove valuable when the company later attempts to contract directly with the Government.

\textbf{[6] Competition, Source Selection, and Bid Protests}

Although competition rests comfortably at the core of business operations, public and private, the Government is required by law to competitively award its procurement contracts, albeit with a few well-traveled exceptions. This means that the Government must first issue a Request for Proposals (RFP) or an Invitation to Bid, setting forth both the Government’s needs and the criteria by which it will evaluate applicants. Submissions are judged by a contracting officer (CO), who later will bear the responsibility for administering the contract with the winning bidder and is responsible for ensuring that the contract is properly awarded should it be challenged by unsuccessful bidders. In all of these areas, the Government’s behavior is noticeably different from that of commercial companies. It is in some ways easier to understand, as the Government buyer is limited in its evaluation to the specific factors set forth in the invitation or request. But it also can be frustrating, in that virtually all contracts must be “competed”—regardless of the performance of the incumbent contractor. Because of this, the contracting process is slower—which deters many start-ups from entering the Government market.\textsuperscript{111}

That said, the decision-making process is not that different from a commercial bid: companies submit information (including, where necessary, confidential information protected by bidding laws or nondisclosure agreements) for evaluation, make presentations, and then wait for the buyer to decide. Unsuccessful bidders can challenge the award (a bid protest), claiming that the winner failed to satisfy the preset criteria or engaged in misconduct. A bid protest can be filed in numerous fora with different requirements: an agency-level protest which goes first to the contracting officer instead of to a court or the Government Accountability Office (GAO); a protest directly to the GAO; or a complaint to the Court of Federal Claims, which bypasses both the GAO and the contracting officer. Though the bid protest process seems convoluted to outsiders, it is in fact not substantially different from the litigation disgruntled bidders sometimes bring in commercial disputes. We discuss dispute resolution in Government IP cases in Chapter 4.

\textsuperscript{110} See FAR 52.227-11 (DEC 2007) or DFARS 252.227-7038 (June 2012).

\textsuperscript{111} Greg Orazen, Greg Mallory, Matthew Schlueuter, & Danny Werfel, \textit{Why Startups Don’t Bid on Government Contracts} 5–6 (Boston Consulting Group/Eastern Foundry, Aug. 2017) (“The number one complaint from startups was about the time it takes to secure government contracts. . . . Startups fear that their technology will be obsolete (and therefore uncompetitive) when the government finally makes a purchasing decision”).
§ 1.03[7] IP and Technology in Government Contracts


Once the contract is executed, there is a significant imbalance of rights and obligations regarding performance. Contractors must perform and do not have the right to terminate outside of an outright breach of contract. By contrast, the Government has the right to terminate “for convenience” as well as for default, both of which have specific remedies which are mandatory.


Companies performing work under Government contracts enjoy a certain level of protection against suits by the general public. Where the Government has substantively reviewed and approved the contractor’s plans and procedures, the contractor has complied with those (pre-approved) procedures, and the contractor was not aware of (or else warned the Government about) any potential pitfalls associated with those plans and procedures, the contractor’s performance under a Government contract cannot give rise to tort liability. This is because a particular design approved by the Government “may well reflect a significant policy judgment by Government officials whether or not the contractor rather than those officials developed the design.” Case law holds the contractor to a fairly strict standard of proof, however, when it comes to showing that the Government actually approved of or required the acts potentially giving rise to tort liability.

Intellectual property infringement is commonly understood as a tort. While most remedies are derived from specific statutory provisions, other forms of intellectual property (notably trade secrets) may rely on common law relief. The Government can be liable for these torts under specific statutory waivers of sovereign immunity, but the extent to which the Government contractor is liable is always in question. Whether the Government contractor defense applies to intellectual property infringement by a Government contractor, however, turns on whether the Government has authorized and consented to the infringement for patents, copyrights, and trademarks. The open question remains on whether this defense has been extended to contractors for trade secret misappropriation relative

114 Boyle, 487 U.S. at 513.
115 E.g., In re: Katrina Canal Breaches Litig., 620 F.3d 455, 457–59 (5th. Cir. 2010) (reversing district court and finding that contractor failed to satisfy its burden that the Government required a particular backfill technique).
to their work under a Government contract. This issue will be discussed in greater
detail in Chapter 4, and provide a corresponding discussion of claims against the
State contractors in Chapter 5.

§ 1.04 Intellectual Property Rights

[1] Overview

For a variety of reasons, the Government needs intellectual property. Its ability to
obtain intellectual property (and products protected by intellectual property) is
significantly influenced by the unique rules applicable to procurement by public
bodies. Before delving into the substance of these rules, however, it is helpful to
briefly survey the various forms of intellectual property—patents, trade secrets,
copyrights, and trademarks—that the Government might want. This is because, as
will emerge in the ensuing chapters, the Government has very different needs for
the different types of IPR existing under law.

Intellectual property law rests on the fundamental assumption that strong
property rights encourage maximum exploitation of resources. “Lease a man a
garden, and in time he will leave you a patch of sand. Make a man a full owner
of a patch of sand and he will grow there a garden on the sand.” The concept
of limited exclusivity as a spur to invention has long historical precedents. The
Greek colony of Sybaris granted exclusive rights to inventions as early as 500
BC, and a 1474 law provided for patent rights in Republican Venice. Trademarks
to distinguish goods existed in China during the Tang Dynasty (618–907 AD). At least as early as the Ming Dynasty (1368–1644 AD), China
required stamps or other markings to indicate the source of pottery—to both
ensure quality and properly direct complaints. Trade names and artists’ “moral
rights” also enjoyed protection. The Founding Fathers granted Congress the
power “[t]o promote the Progress of Science and useful Arts, by securing for
limited Times to Authors and Inventors the exclusive Right to their respective
Writings and Discoveries,” and implemented this authority with the original
Patent Act in 1790. Abraham Lincoln, himself a patentee, observed in 1859 that
“[t]he patent system added the fuel of interest to the fire of genius.” The
Government has enacted a variety of statutes aimed at encouraging inventive

122 U.S. CONST. art. I, § 8, cl. 8.
activity by protecting intellectual property rights. Some innovations enjoy subject-specific protections: the Design Patent Act,\textsuperscript{125} the Plant Patent Act,\textsuperscript{126} the Boat Hull Vessel Design Act,\textsuperscript{127} the Mask Works Act,\textsuperscript{128} and so on. The more well-known forms of “general purpose” intellectual property are patents, trade secrets, copyrights, and trademarks. Their core elements are summarized in Table 1.1. Each is discussed in greater detail below.

\textsuperscript{125} 35 U.S.C. §§ 171 \textit{et seq.}
\textsuperscript{127} 17 U.S.C. §§ 1301 \textit{et seq.}
\textsuperscript{128} 17 U.S.C. §§ 901 \textit{et seq.}
TABLE 1.1 The Most Common Types of Intellectual Property Protection

<table>
<thead>
<tr>
<th>Type of IP Protection</th>
<th>Protectable Subject Matter</th>
<th>Nature of Protection/Rights Granted to the IP Owner</th>
<th>Requirements for Protection</th>
<th>Remedies Available</th>
<th>Duration of Protection</th>
<th>Statutory Basis</th>
<th>USG Specific Statutes/Regs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patents&lt;br&gt;1&lt;br&gt;Processes, machines, articles of manufacture, and compositions of matter, along with some computer-assisted business methods.</td>
<td>Right to exclude others from making, using, selling, or importing the invention; sometimes referred to as the right to &quot;practicing&quot; the invention.</td>
<td>Application filed in U.S. Patent and Trademark Office; invention must be new, useful, and non-obvious.</td>
<td>Money damages, and injunction.2</td>
<td>20 years from application date.</td>
<td>Title 35 U.S.C.</td>
<td>28 U.S.C. § 1498(a); FAR 27.1 to 27.3 and related supplements and clauses.</td>
<td></td>
</tr>
<tr>
<td>Copyrights&lt;br&gt;Original, creative works fixed in a tangible medium of expression (e.g., literary, musical, or audiovisual works; computer programs).</td>
<td>Exclusive right to copy; modify3; perform; display; distribute copies; and publicly perform or digitally transmit the copyrighted work. Additional rights of attribution and integrity for visual artists. No protection against independent creation of similar works, or against certain &quot;fair uses.&quot;</td>
<td>Automatic when fixed in a tangible medium; added remedies for registration and notice.</td>
<td>Money damages (actual or statutory), injunction,2 and criminal sanctions.4</td>
<td>Life of the author plus 70 years; 95 years after publication or 120 years after creation for corporate works.</td>
<td>Title 17 U.S.C.</td>
<td>28 U.S.C. § 1498(b); FAR 27.4 and related supplements and clauses.</td>
<td></td>
</tr>
</tbody>
</table>
Under Article I, Section 8, of the US Constitution, “Congress shall have Power . . . to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and inventions.”

| Trade Secrets | Any information having commercial value by being kept secret (e.g., technical, business, or financial information). | Right to control the disclosure and use of the information through contracts, nondisclosure agreements, or reverse-FOIA actions; protection against theft or misappropriation, but not from independent creation or discovery. | Must take reasonable steps to safeguard the information from disclosure; reasonableness depends on the nature and value of the information. | Money damages, injunction, and criminal sanctions.4 | Potentially unlimited, as long as secrecy is maintained. | 18 U.S.C. §§ 1831–39, 1905; various State laws; common law. | 15 U.S.C. § 1122 (a), (c). |
| Trademarks and Service Marks | Distinctive words, phrases, symbols that identify the source of goods or services. | Automatic upon use in commerce; added remedies for registration and notice. | Money damages, injunction, and criminal sanctions.4 | Federal registration can be renewed every 10 years. State registration renewals vary. Common-law rights are contingent on use | Title 15 U.S.C.; various State laws; see Ch. 5. | 26 |

Notes:
1. Information provided for “utility” patents—the type most common in Government acquisitions.
2. There is no injunctive relief available against the Government for patent or copyright infringement; see 28 U.S.C. §§ 1498(a) and (b).
3. This right is more formally called the right to create a “derivative work” by modifying an existing copyrighted work.
4. Although private individuals cannot enforce criminal penalties, violations of criminal statutes may be reported to the appropriate authorities.
discoveries.” The idea of the patent law’s *quid pro quo*—granting a Government-supported limited exclusionary right in exchange for the public disclosure of a new invention—has strong historical support, as James Madison described in *The Federalist* No. 43:

> The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged in Great Britain to be a right at common law. The right to useful inventions, seems with equal reason to belong to the inventors. The public good fully coincides in both cases with the claims of individuals.\(^\text{130}\)

George Washington himself urged the US Congress to encourage and reward its own inventors via a patent law, rather than rely on the importation of technology from the Old World.\(^\text{131}\)

US patent law strives to balance the interests of the inventor with the interests of the general public.\(^\text{132}\) Without patent rights, an inventor may be less inclined to bring a new invention to the market—especially if the invention, once disclosed, easily can be copied. In exchange for this exclusivity, the inventor must publicly disclose the workings of his invention in enough detail that an unrelated third party with “ordinary skill in the art” could reproduce it without undue experimentation. The expectation is that, once the patent expires, the underlying invention will be dedicated to the public and inexpensive copies will proliferate. (The generic pharmaceutical industry offers an excellent example of this dynamic in practice.) Even before the patent expires, the mere act of disclosure increases the amount of information and technology available to the general public. Inventors can adapt solutions disclosed in one patent to solve wholly different technical challenges.

There is little doubt that the patent system is an engine for innovation. But there remain substantial debates surrounding the appropriate balancing of public and private interests within the general patent-law framework. For example, US patent law allows patents in the fields of software and, to a lesser extent, software-enabled business methods, though the scope of such patents has been narrowed by recent Supreme Court decisions,\(^\text{133}\) and the lower courts are still grappling with

\(^\text{129}\) U.S. CONST. art. I, § 8, cl. 8.


\(^\text{131}\) In Washington’s first State of the Union Address, he observed that “I cannot forbear intimating to you the expediency of giving effectual encouragement as well to the introduction of new and useful inventions from abroad, as to the exertions of skill and genius in producing them at home.” See George Washington, No. 169: First Annual Message, Jan. 8, 1790, in W.B. Allen, ed., *GEORGE WASHINGTON: A COLLECTION* 467, 469 (Liberty Fund 1988).


the significance of that narrowing. The European Union (EU) has provided a qualified no; it believes that software by itself is not patentable (i.e., for computer software listings), but will allow computer implemented inventions to be patented to the extent it resolves a technical problem as being socially beneficial. It seems obvious that the US system has created a vastly larger share of the world’s software while simultaneously allowing software patents to flourish. But that may not be a function of America’s generous patent system. Even major beneficiaries of US software method patents have called for reforms, thus showing the need for balance in considering what is patentable.

As another example, the US has struck a complex balance between competing interests in the field of pharmaceutical patents. Because patented pharmaceuticals need to undergo lengthy clinical trials before introduction into the US market, patentees are entitled to patent term extensions corresponding to the time a patented drug spends in regulatory limbo. Similarly, because a generic manufacturer must undertake substantial research obligations in order to enter the market, generic companies can commence clinical trials on competing products while they are still patented; and if a generic company successfully challenges a pharmaceutical patent, it enjoys a six-month period in which it and the owner of the invalidated patent are the only sellers in the market. But the expense of the drug development process must be weighed against social demands for reasonably priced drugs. And the US calculus is further complicated by the fact that most of the developed world regulates pharmaceutical prices, while the developing world either cannot afford necessary drugs at market rates or disregards patent rights altogether. The US patent system thus largely subsidizes worldwide pharmaceuti-

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136 Consider, for example, the Amazon.com v. Barnes & Noble case. During the 1999 Christmas holiday, Amazon sued rival online bookseller Barnes & Noble for infringing an Amazon patent covering “one-click” technology—that is, a software-enabled way for customers to purchase products with a single mouse click. Amazon succeeded in enjoining Barnes & Noble’s online arm from using one-click technology. Whether the injunction damaged Barnes & Noble’s sales during the Christmas season is unclear; but it is manifestly the case that the lawsuit generated a great deal of public interest and that Amazon’s win at the injunction stage was a shot across the bow of other e-tailers using similar technology. Despite this initial litigation victory, Amazon founder and CEO Jeff Bezos ultimately issued an open letter calling for dramatic software patent reforms. Bezos was influenced by discussions with Internet pioneer Tim O’Reilly. For a copy of Bezos’s March 9, 2000, letter, see http://archive.oreilly.com/pub/a/oreilly//news/amazon_patents.html (last visited Jan. 22, 2018).


tical development, although recent Supreme Court decisions limiting the effectiveness of patent protection in pharmaceutical innovations have eaten into this subsidy.

Compared to other IPRs, patents offer a relatively short term of coverage. A utility patent lasts for 20 years from the date of the filing. Patents, however, are valuable for the scope and strength of the protection they confer. A patent is presumptively valid. Although it does not give the patentee an affirmative right to make or use the invention (the invention could be blocked by someone else’s patent, for example), a patent does give the owner a negative right to exclude others from making, using, offering for sale, or selling the invention. It is this negative right which causes patent “thickets.” whereby multiple patents cover a single device or process.

Patent protection also is stronger than alternative forms of protection in the sense that it covers both an invention and the invention’s reasonable equivalents; and in that it can capture within its purview “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof”—as the Supreme Court expressed it, “anything under the sun as made by man.” Thus, a US patent may be obtained on practically anything resulting from man’s intervention, including new animals, seeds, fruits, and, in special cases, products of nature. It protects an invention at the level of an idea, rather than its particular implementation or expression (as in copyrights and, to an extent, trade secrets). That being said, recent Supreme Court and Federal Circuit cases have cautioned against overbroad patent protection where the protection would prevent future research on basic scientific methodologies.

Under the most recent precedents, inventions directed to an “abstract idea” that “merely require[e] generic computer implementation” are not patent-eligible because such inventions fail “to transform that abstract idea into a patent-eligible

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142 35 U.S.C. § 271(a) (“Except as otherwise provide by this title, whoever without authority makes, uses, offers to sell or sells any patent invention, within the United States or imports into the United States any patented invention during the term therefore infringes the patent”).
146 See In re Bilski, 545 F.3d 943 (Fed. Cir. 2008), aff’d on other grounds, 561 U.S. 593 (2010).
invention.” Analytically, courts now look first to see whether a patent’s claims are directed to a patent-ineligible concept (laws of nature, natural phenomena, abstract ideas) and then whether those claims are nonetheless patentable because they “transform that abstract idea into a patent-eligible invention.” We know from Alice Corp. v. CLS Bank that merely implementing a patent-ineligible computer on a general-purpose computer does not transform that idea into a patentable invention. But beyond that, there is as yet very little guidance. It appears that the Federal Circuit is extending the uncertainty to more traditional areas, including methods of manufacturing mechanical articles which is of concern. The effect of this uncertainty on the desirability of patent protection has yet to be seen.

Patents are the IP protection of choice for most commercial technologies. Indeed, when determining the value of companies, acquiring companies look for to the value of the patent portfolio than to other forms of intellectual property. Further, if high technology companies collapse, it is often their patent protection that insures the creditors, because the IP remains a potentially valuable commodity. For instance, Google purchased Motorola’s mobile division in part for the value of its patent portfolio. Similarly, there was substantial bidding on bankrupt Nortel’s patent portfolio. Although commentators have wondered whether these sales harmed competition, there is little doubt that they helped salvage the value creditors and stockholders lost in these companies. And it is for this reason that investors in high technology companies look to patents as a mechanism to hedge against losses should the technology fail to take hold in the market.

The Government typically buys very substantial volumes of patentable high-tech hardware and pharmaceuticals. But the Government has special needs regarding patented hardware—primarily the requirement to be able to maintain its sources of supply to accomplish its mission (often military). So the Government has manipulated the scope of its sovereign immunity waiver to ensure that a patentee cannot interfere with procurement decisions. In this way, the Government’s view of patents is different from that of the private sector in that patents do not represent an exclusionary threat to obtaining a good, but instead

149 Id.
represent more of a tax on purchased goods paid by the Government without raising the price of an infringer’s offering. The ramifications of this difference in viewpoint, as well as how this waiver affects contractors, is discussed in greater detail in Chapter 4.

If patents are the IPR of choice for the private sector, trade secrets historically have been the IPR of choice for Government contractors. Trade secret laws can protect any information that provides owners with a competitive advantage in the marketplace. Trade secret—eligible subject matter includes formulas, patterns, physical devices, ideas, processes, information, and compilations of information (e.g., customer lists). Trade secrets also can protect “negative know-how” (e.g., what does not work in attacking a particular problem).\footnote{See \textit{Metallurgical Industries, Inc. v. Fourtek, Inc.}, 790 F.2d 1195 (5th Cir. 1986).} Anything that derives value from not being generally known by a competitor can qualify as a trade secret.

Up until recently, trade secret protection rested largely upon state law,\footnote{See \textit{United States v. Hsu}, 155 F.3d 189, 195 n.7 (3d Cir. 1998) (internal citations omitted) (citing the number of states that adopted criminal trade secret statutes and the number of states that adopted some form of the Uniform Trade Secrets Act); Shubha Ghosh, \textit{Open Borders, Intellectual Property & Federal Criminal Trade Secret Law}, 9 J. MARSHALL REV. INTELL. PROP. L. 24, 57 (2009) (“The Economic Espionage Act of 1996 . . . is also the first federal statute that protects trade secrets, historically the domain of state courts and legislatures.”); accord James Pooley, \textit{The Myth of the Trade Secret Troll: Why the Defend Trade Secrets Act Improves the Protection of Commercial Information}, 23 GEO. MASON L. REV. 1045, 1048 (2016) (“Unlike other types of intellectual property that have always been defined by statute, the origins of trade secret protection lie in the common law, catalyzed by nineteenth-century industrialization that created a need to transfer and share secrets in business (which is why we refer to them as ‘trade’ secrets.”).} which created a significant zone of uncertainty regarding the scope of protection for trade secrets and non-trade-secret “confidential information.”\footnote{E.g., Massachusetts, see \textit{Warner-Lambert Co. v. Execuquest Corp.}, 427 Mass. 46, 48–49 (1998).} In 2016, however, the U.S. Congress passed the Defend Trade Secrets Act, which for the first time created a federal cause of action for civil trade secret misappropriation.\footnote{See generally Sharon K. Sandeen & Christopher B. Seaman, \textit{Toward A Federal Jurisprudence of Trade Secret Law}, 32(2) BERKELEY TECH. L. J. 829 (2017).}

of Federal Claims if a foreign aid recipient discloses private-party trade secrets.\textsuperscript{162} The Computer Fraud and Abuse Act criminalized situations in which the theft of the trade secret is tied to a computer-related offense.\textsuperscript{163} The Digital Millennium Copyright Act creates special protections for encryption and other digital rights management technologies as applied to software and other copyrighted goods\textsuperscript{164} (though not to the Government).\textsuperscript{165} And proprietary information, if properly marked, has long been protected against disclosure to a requestor under the Freedom of Information Act (FOIA).\textsuperscript{166} Similarly, proprietary information provided under contract is protected from release to competitors to using contractual clauses, and relief is available under the Contract Disputes Act or Tucker Act for breaches of those clauses.

In 2016, the Defend Trade Secrets Act (DTSA) “received broad support from a variety of industries,” boasted “unusually bipartisan political sponsorship,” and passed with “no opposition” in the Senate and a 410-2 vote in the House.\textsuperscript{167} “This was swift progress, for such significant legislation, in a Congress, by all accounts, plagued by partisan gridlock.”\textsuperscript{168} The DTSA for the first time created a private federal right of action for misappropriation of trade secrets.\textsuperscript{169} “The DTSA is, and is best understood as, an amendment to the EEA,”\textsuperscript{170} and “[t]he primary goal of the DTSA was to accord trade secrets similar federal protections as enjoyed by other areas of intellectual property—copyright, patent and trademark.”\textsuperscript{171}

The DTSA provides for actual damages, punitive damages, and injunctive relief, as does the UTSA. But it also (unlike the UTSA and the EEA) provides for a wide-ranging emergency-seizure remedy adapted from the Lanham Act.\textsuperscript{172} The DTSA deliberately adopted a definition of “trade secrets” that tracks state law and the EEA: despite minor differences in wording, “the [Senate Judiciary] Committee does not intend for the definition of a trade secret to be meaningfully different

\begin{itemize}
  \item [162] 22 U.S.C. § 2356(a)(2).
  \item [163] 18 U.S.C. § 1030.
  \item [164] 17 U.S.C. § 1201 et seq.
  \item [165] Blueport, 71 Fed. Cl. 768.
  \item [166] 5 U.S.C. § 552(b)(4), discussed further in Chapter 4; see also Food Marketing Inst. v. Argus Leader Media, 588 U.S. ___ (2019) (affirming that the Government can refuse to disclose any commercial or financial information “customarily and actually treated as private by its owner and provided to the government under an assurance of privacy”).
  \item [169] Pooley at 1047.
  \item [170] Cannan at 8.
  \item [171] Cannan at 2; see also H. REP. NO. 114-529, at 2 (2016).
  \item [172] See Cannan at 8, 17–18.
\end{itemize}
from the scope of that definition as understood by courts in States that have adopted the UTSA.”

Similarly, the DTSA does not displace any existing state remedies. Because all States except New York have adopted some form of the Uniform Trade Secrets Act, in theory the adoption of the DTSA will not significantly disrupt settled expectations regarding IP protection for trade secrets. But courts are only now beginning to grapple with the proper interpretation of the DTSA. And differences in judicial interpretation and statutory enactments ensure that there will remain substantial State-to-State differences in the scope of protection.

The value of a trade secret is derived from its status as a secret, and not from its originality or novelty. Trade secret protection may last indefinitely; it is lost only when the secret is revealed. This means that the existence of a trade secret turns, in large part, on whether and how the owner protects the information from public disclosure or industrial espionage. A product purchased by or a drawing delivered to the Government without restriction cannot be a trade secret.

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175 The text of the Uniform Trade Secrets Act, as promulgated by the National Conference of Commissioners on Uniform State Laws, is available online at http://www.uniformlaws.org/shared/docs/trade%20secrets/utsa_final_85.pdf (last visited, Feb. 24, 2015).


177 See Chapter 5 for a discussion on which States have enacted the Uniform Trade Secrets Act.


179 Conax Florida Corp. v. United States, 824 F.2d 1124 (D.C. Cir. 1987) (“if the drawings
The DTSA is still in its infancy, and many issues remain unresolved. For example, it is not at all clear that the Government can be held liable for misappropriation of trade secrets under the DTSA.\(^{180}\) In addition, there is the issue of how to handle and protect nonpublic Government information that may not otherwise be entitled to proprietary protection but are not being made public for other reasons. A proposed FAR amendment would require specific protective protocols for contractor information systems to protect nonpublic Government information, including information generated by the Government in the course of a procurement contract.\(^{181}\) Conversely, the Government also wants to ensure that proprietary data sets generated under a grant or contract are made public for further scientific investigation, and hence making them non-proprietary.\(^{182}\) How either of these new proposals and policies will affect FOIA and trade secret litigation remains to be seen.

Unlike patents, trade secrets do not enjoy any presumption of validity. Rather, the trade secret owner bears the burden of proving that it has, in place, reasonable measures to protect its secrets, and that the information itself has value deriving from the fact that it is not publicly known. Independent creation or legitimate discovery (including, absent a contract, discovery by reverse-engineering) are complete defenses to trade secret misappropriation claims. But if the owner can prove that it owns valid trade secrets that were misappropriated by a third party, it is entitled to an injunction and damages. The mechanisms by which contractors license their trade secrets is discussed in Chapters 2 and 3 relative to technical data and computer software licenses. The various mechanisms available to protect trade secrets, both for a contractor and for a third party, is discussed in greater detail in Chapter 4.

[4] Copyrights

Copyright protection gives authors exclusive rights to their works.\(^{183}\) Copyrights ordinarily cover “artistic” works—literary, musical, dramatic, pictorial, architectural, sculptural works, motion pictures, sound recordings, and more.\(^{184}\) But—again unlike a patent—a copyright cannot protect facts, procedures, or works


\(^{182}\) Office of Science and Technology Policy, Memorandum for the Heads Of Executive Departments and Agencies: Increasing Access to the Results of Federally Funded Scientific Research (Feb. 22, 2013).

\(^{183}\) See 17 U.S.C. § 102 (“Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated”).

\(^{184}\) Id.
entirely driven by ideas. Copyright also protect the nonutilitarian “design” aspects of an otherwise functional product. For useful articles, such as software, furniture, and cars, copyright protection extends only to such features as can be “identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”

Copyrights attach automatically to original works of authorship fixed in a tangible medium. But they cannot be enforced until the copyrighted work is registered with the Library of Congress. A minimum level of creativity satisfies the originality requirement, while authorship only requires independent creation. Fixation can be transitory, as on a computer screen or a hard drive’s random-access memory. Copyright protection includes the exclusive right to reproduce, distribute copies, display or perform the work in public, prepare derivative works based on the copyrighted work, and so on. Copyright protection now exists for the author’s lifetime plus 70 years. For corporations, a copyright lasts 95 years after first publication or 120 years after creation.

Copyright is fundamentally about protecting authors and artists. Anomalously, however, copyright law also is the primary vehicle for protecting computer software. This is because software ultimately is a series of ones and zeros translated into higher machine languages (source and object codes). Given that a computer program is in that generic sense a “text”—though intended only to be read by specialists and machines—US law has treated the software’s source and object codes as copyrighted literary works. Copyright law is thus of great importance to businesses using and creating software.

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185 See id. § 102(b) (copyright does not “extend to any ideas, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work”).


Works created by the Government are not eligible for copyright protection. But otherwise copyrightable works prepared by private contractors under Government contracts will normally be copyrightable. Even then, contract clauses may require a license sufficient to place the work in the public domain (often referred to as unlimited rights), and require Government permission to apply copyright notices. The mechanisms by which contractors license their copyrighted works is discussed in Chapters 2 and 3 relative to technical data and computer software licenses. The various mechanisms available to protect copyrighted works, both for a contractor and for a third party, is discussed in greater detail in Chapter 4.

[5] Trademarks

A trademark or service mark is a word, name, symbol, device, or combination thereof adopted or used by manufacturers or merchants to identify their goods or services and to distinguish them from those manufactured or sold by competitors. Though they are owned by businesses, trademarks ultimately are a mechanism for consumer protection. A trademark protects the consumer’s association of a particular product with the product’s legitimate source; the mark guarantees uniform quality to purchasers. Sometimes trademarks become commodities in their own right. At the same time, a trademark does not confer the right to exclude others from using the word or phrase in question—it only prevents efforts to confuse the public concerning the source or sponsorship of particular goods associated with the trademark. And it imposes on the owner the corresponding obligation to control the design and police the quality of goods bearing the mark.

The strength of a trademark correlates with its distinctiveness. The more remote the relationship between the mark and the goods, the stronger the mark. The strongest trademarks are arbitrary and fanciful—marks that have no connection with the product or service (e.g., Xerox, Kodak, Exxon, and, in the context of computers, Apple). Next in strength, suggestive marks connote something about the product or service but do not describe or represent it (CitiBank, for example, evokes banking centers like London or New York, but does not directly describe Citi’s goods and services). The weakest trademarks are descriptive marks, which directly describe some aspect of the product or service (e.g., Dryfast paint).

Common-law trademark protection begins when a mark first is used in commerce. As the mark is used on goods, consumers begin to associate the goods bearing the mark with a particular source. As long as that linkage exists, the company retains the right to control the mark. If the owner ceases to use the mark, it can be abandoned. Or if the mark ceases to represent a particular good from a


194 FAR 52.227-14. At least one case has also called into question whether a Government contract term can also preclude the ability to obtain a copyright in a work otherwise eligible for copyright under Title 17. S & H Computer Systems v. SAS Institute, Inc., 568 F. Supp. 416, 419 (M.D. Tenn. 1983).
particular source and instead comes to identify a class or type of product (e.g., aspirin), it loses its status as a trademark and its owner loses the right to control it. Such a mark has become “generic.”

If a mark acts as a source identifier, it can be enforced at the Federal and State levels. The Federal Government and each State maintains its own register of marks, which can be enforced under corresponding Federal and State laws. (We identify trademark laws in each State in Chapter 5.) In 1946, Congress enacted the Lanham Act, which allows businesses whose marks are national or international in scope to apply for Federal registration.\[195] International protection for trademarks is available under the Madrid Protocol.\[196]

Federal registration (and to an extent State registration) has important legal advantages over common-law protection. Registration may result in increased money damages and the award of attorneys’ fees against infringers.\[197] It also serves as conclusive evidence of the owner’s exclusive right to use the mark and as prima facie evidence of validity—\[198] all matters that must be proven in common-law trademark litigation. And in contrast to State registration, Federal registration gives constructive notice nationwide.\[199] Any time after the fifth year after Federal registration, a mark may acquire incontestable status, meaning that a competitor cannot claim prior rights.\[200] Finally, Federal registration may be used to exclude importation through U.S. Customs of goods bearing infringing marks.\[201] It is important to note that unregistered trademarks also are protectable under State and Federal common law, but require additional elements of proof.

For decades, the Government took the view that trademarks are irrelevant to procurement law, because the Government neither seeks nor uses trademarked names and is not a participant in a commercial market as a seller or provider of goods and services. Today, however, the Government has gradually acknowledged that trademarks have relevance in the Government contracting sphere,\[202] and on occasion even has infringed commercial trademarks in providing competing

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\[195]\text{See 15 U.S.C. § 1051 et seq.}
\[196]\text{The full text of the Madrid System for the International Registration of Marks is available at }\text{http://www.wipo.int/madrid/en/ (last visited Jan. 22, 2018).}
\[197]\text{15 U.S.C. § 1117.}
\[198]\text{15 U.S.C. § 1115.}
\[199]\text{15 U.S.C. §§ 1072, 1111.}
\[200]\text{15 U.S.C. § 1065.}
\[201]\text{15 U.S.C. § 1124.}
goods and services. The public also has been victimized by infringers misusing Government brands.

Last, the Government has begun to recognize that trademarks, especially in the form of certification marks, are powerful market drivers that commercial companies want to use to prove to consumers that their products meet certain desired standards. For instance, the Government’s ENERGYSTAR® mark is recognized as symbolizing energy efficiency; the Government will prosecute (and has prosecuted) false or improper uses of this mark. Thus, the Government now not only recognizes the importance of trademarks but is prepared to enforce them on its own behalf for public purposes. The mechanisms by which trademark owners can protect their marks is discussed in Chapter 4, and to a limited extent, in Chapter 2 relative to how trademarks impact procurements and Government licensing efforts.

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203 See Preferred Risk Mutual Ins. Co. v. United States, No. 4-93-cv-10393 (S.D. Ia. July 14, 1995) (holding that consumers were actually confused because FEMA offered products under the name PREFERRED RISK), rev’d on jurisdictional grounds, 86 F.3d 789 (8th Cir. 1996).

204 E.g., Chuck Stanley, Scammers Use FEMA-Like Logo To Bilk Maria Victims: Report, LAW360 (Dec. 15, 2017) (“Fraudsters are attempting to extract payment and personal information from survivors of Hurricane Maria in Puerto Rico by using knock-off Federal Emergency Management Agency logos to advertise assistance with agency paperwork, a Department of Homeland Security watchdog has warned”).
