

Protecting Your Intellectual Property Under a SBIR Contract

SBIR awardees should understand how SBIR awards address the awardee's intellectual property. Like other federal contracts and grants, SBIR awards allocate intellectual property rights between the Government and the awardee according to a detailed regulatory regime. In this article, we provide a brief overview of the applicable clauses and identify some steps that SBIR awardees can take to maximize their intellectual property protections.

Patent Rights

The Bayh-Dole Act and its implementing regulations set forth the Government's rights in "subject inventions" – inventions that are "conceived or first actually reduced to practice in the performance of work under a funding agreement." An SBIR award will typically include a patent rights clause, modeled on the standard patent rights clause at 37 C.F.R. § 401.14, that sets forth the Government's and awardee's rights and obligations vis-à-vis subject inventions. The patent rights clause generally permits the SBIR awardee to elect to retain ownership of any subject inventions. In exchange, the SBIR awardee must file a patent application and grant the Government a "nonexclusive, nontransferable, irrevocable, paid-up license to practice, or have practiced on its behalf, the subject invention throughout the world."

In most SBIR awards, there will be little or no flexibility to negotiate a more limited government license in subject inventions. Therefore, an awardee desiring to limit the Government's rights in its inventions should work to ensure that they remain outside the definition of "subject invention." Potential awardees should remember, however, that they cannot avoid the reach of the Bayh-Dole Act simply by filing a patent application before award. If an awardee uses SBIR money to reduce the invention to practice for the first time (so-called "last mile" funding), it becomes a subject invention.

Practice Tip: To maximize your patent protections, do not use SBIR award funding to reduce your invention to practice for the first time.

Data Rights

SBIR contracts also contain standard clauses allocating rights in the awardee's technical data and computer software (collectively, "data"). In substantially all cases, the awardee retains ownership of the data and grants the Government a license thereto. The specifics, however, depend on whether the awarding agency is a civilian agency or part of the Department of Defense.

Civilian Agencies

The standard SBIR data rights clause, FAR 52.227-20, generally grants the Government unlimited rights (the rights to use, disclose, reproduce, prepare derivative works, publicly distribute, and publicly perform the data in any manner and for any purpose, and to permit others to do the same) in all data delivered under the SBIR contract. The Government's unlimited rights extend to any of the awardee's pre-existing data delivered to the Government. Thus, FAR 52.227-20(f) permits the awardee to withhold from delivery "limited rights data and restricted computer software" and deliver form, fit, and function data in their stead. "Limited rights data" is data "developed at private expense that embody trade secrets or are commercial or financial and confidential or privileged,"

while “restricted computer software” is “computer software developed at private expense and that is a trade secret; is commercial or financial and confidential or privileged; or is copyrighted computer software[.]”

FAR 52.227-20 also creates a separate category of rights, known as “SBIR rights,” for data first produced in the performance of the SBIR contract (“SBIR data”). Under SBIR rights, the Government may only use SBIR data for government purposes and may not disclose the SBIR data outside the Government, except for use by support contractors. By default, the SBIR rights period extends for a period of four years after acceptance of all deliverables, but the parties can negotiate an extension to the SBIR rights period. After expiration of the SBIR rights period, the Government’s license expands to allow it to authorize others to use the SBIR data for government purposes. To take advantage of the SBIR rights license, the awardee must mark any SBIR data delivered to the Government with the precise legend set forth in FAR 52.227-20.

Practice Tip 1 – Background Data: To maximize protection of your background data, ensure that your SBIR contract does not require delivery thereof, and deliver form, fit, and function data instead.

Practice Tip 2 – SBIR Data: To maximize protection of your SBIR data, ensure that it is properly marked with the prescribed legend. You can also seek to extend the SBIR rights period beyond the four-year standard.



Defense Agencies

Unlike the civilian agency SBIR data rights clause, the DFARS SBIR data rights clause, DFARS 252.227-7018, permits the awardee to deliver its pre-existing data to the Government with less than unlimited rights. Thus, the awardee can deliver technical data pertaining to items, components, and processes developed exclusively with private funds outside the SBIR contract with limited rights and can deliver computer software developed exclusively with private funds outside the SBIR contract with restricted rights.

DFARS 252.227-7018 also permits an awardee to assert “SBIR data rights” in all technical data and computer software generated under the SBIR contract. SBIR data rights are equivalent to limited rights in technical data and restricted rights in computer software and are applicable until five years after completion of the project from which the data were generated.

Finally, DFARS 252.227-7018 allows the awardee and the Government to negotiate a tailored license in any data. The Government cannot, however, accept less than limited rights in technical data or restricted rights in computer software.

To protect any of the foregoing data, the awardee must both assert the applicable restriction in advance and apply the required restrictive marking to the data prior to delivery.

Practice Tip: To maximize protection, ensure that you assert restrictions where appropriate and mark your data deliverables with the prescribed restrictive legends. You should also consider specifically negotiating the Government’s rights in your technical data and computer software.

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A convoluted regulatory scheme controls intellectual property rights in SBIR awards. Potential awardees must understand – and rigorously follow – the scheme in order to shape protection-maximizing strategies and avoid inadvertent loss of rights.

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