

Protecting Your Intellectual Property in an SBIR Contract

Small Business Innovation Research (SBIR) awardees should understand how SBIR awards address the awardee's intellectual property. Like other federal awards, SBIR contracts 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 U.S. Department of Defense.

For awards from 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[.]”

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.

A separate category of rights applies to data first produced in the performance of the SBIR award (“SBIR data”). Regardless of awarding agency, an SBIR awardee can assert “SBIR data rights” and ensure that its SBIR data is treated generally the same as the DFARS would treat limited rights technical data and restricted rights computer software for at least twenty years from the date of the SBIR award (the “SBIR protection period”). After the SBIR protection period, the Government’s license expands to allow it to authorize others to use the SBIR data for Government purposes, except that awards by the U.S. Department of

Energy entitle the Government to unlimited rights in SBIR data after the SBIR protection period expires. These licenses can also be modified by negotiation between the parties, but only after award. Finally, to take advantage of the SBIR rights license, the awardee must both assert the applicable restriction and apply the required restrictive marking to the data prior to delivery.

Practice Tip 1 – Protecting Background Data: When working with a civilian agency, ensure that your SBIR contract does not require delivery of background data, and deliver form, fit, and function data instead. When working with a defense agency, ensure that you assert restrictions where appropriate and mark your data deliverables with the prescribed restrictive legends.

Practice Tip 2 – Protecting SBIR Data: To maximize protection, ensure that you assert restrictions where appropriate and mark your data deliverables with the prescribed restrictive legends.

Practice Tip 3 – Specially Negotiated Licenses: Intellectual property protection is not always susceptible to the “one-size-fits-all” approach of the standard license. Consider negotiating the Government’s rights in your technical data and computer software if doing so will better meet the parties’ interests.



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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SBIR awards are a great opportunity for organizations to leverage federal funding to advance their research and development goals. SBIR awardees should understand the key terms of their award to ensure successful—and fully compliant—performance of the award.



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