

IP and Government Contracts

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IP and Government Contracts

- The FAR prescribes contract terms dealing with patent rights in key areas:
 - Govt. rights in inventions
 - Authorization and consent to use patented invention in performance of contract.
 - Obligation to indemnify the government for patent infringement
- The Federal Acquisition Regulations can be found at www.acquisition.gov



Govt. Rights in Inventions

- Basic concept is that where an invention is made in performance of a govt. contract, the govt. is entitled to *at least* a royalty-free non-exclusive license where:
 - The invention is conceived in performance, or
 - The invention is first *actually* reduced to practice in performance of the contract.



Govt. Rights in Inventions

- Note, this conceived or first actually reduced to practice standard is contained both in FAR, where it applies to R&D contracts, and in the Bayh-Dole act, which also includes grants and cooperative agreements.
 - Bayh-Dole, see 35 U.S.C. § 201(e).
 - FAR Subpart 27.3 (policy), 52.227-11 (short form – retention by contractor), 52.227-12 (long form – retention by contractor), 52.227-13 (acquisition by government)



Govt. Rights in Inventions

- Where a patented invention was first actually reduced to practice in performance of a govt. contract, the resulting license has been a complete defense to a patent infringement action against the government under 28 U.S.C. § 1498.
- The issue frequently involves whether pre-contract testing was sufficient to reduce the invention to practice. *Hazeltine Corp. v. United States*, 820 F.2d 1190 (Fed. Cir. 1987); *McDonnell Douglas Corp. v. United States*, 670 F.2d 156 (Ct. Cl. 1982).



Govt. Rights in Inventions

- The FAR also requires reporting of subject inventions. The failure to report a subject invention can result in the contractor forfeiting any right it might otherwise have to retain title to any resulting patent. *Campbell Plastics Eng'g & Mfg., Inc. v. Brownlee*, 389 F.3d 1243 (Fed. Cir. 2004).



Authorization and Consent

- Under 28 U.S.C. § 1498(a), the exclusive remedy for “unauthorized use or manufacture of a patented invention” by *or for* the United States is by an action for compensation in the Court of Federal Claims.
- Use or manufacture by a contractor, subcontractor or any other entity for the government and with its “authorization and consent” shall be construed as use or manufacture “for the United States.”



Authorization and Consent

- A common way to confer authorization and consent is to include a provision in the contract, which is required to be included (“flowed down”) in subcontracts.
- FAR prescribes two basic provisions:
 - A broad one for R&D contracts
 - A narrower one for procurement contracts.



Authorization and Consent

- The “broad clause” which is referred to as FAR 52.227-1 Alternate I, and which is required for R&D contracts simply confers authorization and consent for “all manufacture and use” of a patented invention in performance of the contract or any subcontract.
- Since the purpose of an R&D contract is to obtain work on new systems or weapons, for example, this clause avoids impeding research with concerns over infringement.



Authorization and Consent

- The narrow(er) clause applies to contracts for procurement of supplies or services, and in its current form provides authorization and consent for manufacture or use of any patented invention:
 - Embodied in an article delivered to and accepted by the government, or
 - Resulting from use of machinery, tools, methods required by contract specs & provisions, or a contracting officer's written direction.



Patent Indemnity

- The basic principle dictating when a patent indemnity clause may be included in a contract is found at FAR 27.201-1(d) – “may” include an indemnity clause in a contract for “commercial items.”
- The patent indemnity clause is set forth at FAR 52.227-3. Does permit exclusion where use of an indemnity clause is “not consistent with commercial practice.”



Patent Indemnity

- The basic principle underlying the FARs that call for inclusion is that where the government is buying a commercial item, such as a computer, the manufacturer should make the government whole.
- Note, FAR 27.201-2(f) does give the Contracting Officer some leeway to include an indemnity clause in the solicitation where it is in the “government’s interest.”

