

**CRISIS MANAGEMENT
AND FIRST AID: WHEN
GOVERNMENT
CONTRACTORS ARE
THE HEADLINERS**

WELCOME

OOPS 2014

**GOVERNMENT IP
– THE RULES KEEP
A CHANGING**

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OOPS ²⁰¹⁴

Agenda

- Seller Beware – The Continued Assault on Commercial Computer Software
- New Statutes, Regulations, and Policies
- The Government IP Litigation Front
- Government IP Settlements

Seller Beware – The Continued Assault on Commercial Computer Software

John McCarthy

Seller Beware – The Continued Assault on Commercial Computer Software

- Historically, the Government purchased commercial software pursuant to a contractor's standard commercial license agreement
- FAR 12.212, FAR 27.405-3, DFARS 227.7201-1
 - Commercial computer software or commercial computer software documentation shall be acquired under licenses customarily provided to the public to the extent such licenses are consistent with Federal law and otherwise satisfy the Government's needs.

Seller Beware – The Continued Assault on Commercial Computer Software

- Some standard license provisions “inconsistent with Federal law” and therefore unenforceable
 - Indemnity provisions
 - Disputes
 - Choice of law.

Seller Beware – The Continued Assault on Commercial Computer Software

- In the past few years agencies have begun to push back on commercial software license more broadly
- This creates problems for contractors, particularly where they are delivering
 - Third party software
 - Open source software

Seller Beware – The Continued Assault on Commercial Computer Software

- FAR 52.227-19, Commercial Computer Software License
 - Takes precedent commercial license terms
 - Rights grant = Restricted rights
 - Incorporates marking requirement

Seller Beware – The Continued Assault on Commercial Computer Software

- Other agency unique requirements
 - GSA
 - Requires review of EULA and TOS Agreements
 - Standard license agreement
 - Fail chart
 - List of unacceptable provisions

Seller Beware – The Continued Assault on Commercial Computer Software

- FSSI SmartBUY Microsoft Software and Services
 - License “requirements”
 - Voids click wrap license
 - Fees, taxes, and payment provisions governed by contract
 - No assignment except as per Anti-assignment Act
 - No waiver of liability or cause of action
 - Restrictions on audit rights
 - Restrictions on 3rd party license terms

Seller Beware – The Continued Assault on Commercial Computer Software

- FSSI SmartBUY Microsoft Software and Services
 - License “restrictions”
 - Restrictions on contract formation and modification
 - Indemnity – Representing the US Government
 - Indemnification
 - No arbitration
 - Venue, Jurisdiction and choice of law
 - Restriction on equitable remedies
 - Restriction on negative options
 - Order of precedence

Seller Beware – The Continued Assault on Commercial Computer Software

- FSSI SmartBUY Microsoft Software and Services
 - Intellectual property rights
 - Restrictions on USG IP Rights on deliverables
 - In cover letter accompanying the deliverable
 - Default if nothing listed = FAR 52.227-14, Rights in Data _ General
 - If unmarked, this means unlimited rights

Seller Beware – The Continued Assault on Commercial Computer Software

- Failure Chart
 - Includes many of the same restrictions
 - Copy of 2012 version attached

Seller Beware – The Continued Assault on Commercial Computer Software

- Veterans Administration
 - Disfavors commercial software licenses
 - Presses for inclusion of FAR 52.227-14
 - **B.3.3 GOVERNING LAW**
 - Commercial license agreements may be made a part of this contract but only if both parties expressly make them an addendum. If the commercial license agreement is not made an addendum, it shall not apply, govern, be a part of or have any effect whatsoever on the contract If a commercial license agreement is made an addendum, only those provisions addressing data rights regarding the Government's use, duplication and disclosure of data (e.g., restricted computer software) are included and made a part of this contract, and only to the extent that those provisions are not duplicative or inconsistent with Federal law, Federal regulation, the incorporated FAR clauses and the provisions of this contract; those provisions in the commercial license agreement that do not address data rights regarding the Government's use, duplication and disclosure of data shall not be included or made a part of the contract

Seller Beware – The Continued Assault on Commercial Computer Software

- To do list
 - Review solicitation IP provisions early in the procurement
 - Prime contractor may need to begin immediate negotiations with 3rd party licensors
 - May need to seek exceptions for certain 3rd party or open source
 - Negotiating different terms may not be possible

New Statutes, Regulations, and Policies

Jon Baker

New Statutes, Regulations, and Policies

- Final FAR Rule: Terms of Service and Open-Ended Indemnification and Unenforceability of Unauthorized Obligations
 - DoD, GSA, and NSA adopted, as final, an interim rule amending the FAR to address concerns raised in a U.S. Department of Justice Office of Legal Counsel opinion regarding the use of open-ended indemnification clauses
 - FAR § 52.232-39, Unenforceability of Unauthorized Obligations (June 2013)

New Statutes, Regulations, and Policies

- Final FAR Rule: Government Support Contractor Access to Technical Data
 - DoD adopted, as final, an interim rule implementing a section of 2010 NDAA
 - Authorizes certain Government support contractors to access contractor proprietary technical data

New Statutes, Regulations, and Policies

- DoD Open Systems Architecture Contract Guidebook
 - v. 1.1 issued June 2013
 - To be used by PMs incorporating Open Systems Architecture principles into acquisitions
 - Designed to supplement FAR, DFARS, and other applicable policy and guidance

New Statutes, Regulations, and Policies

- DoD Open Systems Architecture Contract Guidebook
 - “A mandate of OSA is that technical requirements be based to the maximum extent practicable on open standards.”
 - Contains suggested language for RFP Sections C, H, L, and M and Award Fee Plans
 - Acknowledges that the Government can evaluate data rights in its best value determination

The Government IP Litigation Front

Derek Mullins

The Government IP Litigation Front

- *Controlled Force, Inc.*
 - B-408853, Sept. 18, 2013, 2013 CPD ¶ 22
 - GAO protest of the terms of solicitation
 - Protester alleged that the Navy improperly incorporated its IP into the solicitation requirements

The Government IP Litigation Front

- *Controlled Force, Inc. (Cont.)*
 - GAO dismissed protest for lack of jurisdiction
 - A patent or copyright holder's remedy for any alleged government violation of its intellectual property rights, resulting from a government procurement, is a suit for money damages against the government before the Court of Federal Claims. Additionally, original jurisdiction over trademark disputes lies in the district and territorial courts of the United States, not with our Office. Accordingly, our Office lacks jurisdiction to consider the issues raised in the protest.

The Government IP Litigation Front

- *Alenia North America, Inc.*
 - ASBCA No. 57935, 13-1 BCA ¶ 35296 (2013)
 - Board denied contractor's motion to dismiss for lack of jurisdiction on the basis that there was no claim

The Government IP Litigation Front

- *Alenia North America, Inc. (Cont.)*
 - Contract did not contain any FAR or DFARS data rights clauses
 - Contractor delivered publications with restrictive markings
 - Air Force sent contractor letter a year-and-a-half later objecting to markings

The Government IP Litigation Front

- *Alenia North America, Inc. (Cont.)*
 - CO issued final decision stating that it had unlimited rights to the publications, arguing, among other things that DFARS 252.227-7037 (VALIDATION OF RESTRICTIVE MARKINGS ON TECHNICAL DATA) was incorporated by operation of law pursuant to the Christian Doctrine
 - Decision on the merits still pending

The Government IP Litigation Front

- *United States Marine, Inc. v. United States*
 - 722 F.3d 1360 (Fed. Cir. 2013)
 - The plaintiff sued under the Federal Tort Claims Act in District Court for misappropriation of trade secrets
 - The plaintiff was not a party to the contract
 - The Navy disclosed the plaintiffs drawings, which contained a Limited Rights legend, without seeking permission

The Government IP Litigation Front

- *United States Marine, Inc. v. United States* (Cont.)
 - The Government moved to dismiss for lack of jurisdiction
 - The court denied the motion and awarded the plaintiff \$1.45 million in damages
 - The Government appealed to the Fifth Circuit

The Government IP Litigation Front

- *United States Marine, Inc. v. United States* (Cont.)
 - Fifth Circuit held that to decide the case, the District Court had to interpret Government contract provisions and that this was exclusively within the Court of Federal Claims' jurisdiction
 - Vacated the judgment and directed the District Court to transfer case to the Court of Federal Claims

The Government IP Litigation Front

- *United States Marine, Inc. v. United States* (Cont.)
 - The Federal Circuit, in essence, reviewed transfer order
 - The plaintiff argued that the transfer would leave it without a remedy in the Court of Federal Claims
 - The Federal Circuit disagreed and affirmed:
 - The Government acknowledged that the plaintiff was entitled to have the breach, injury, and damages questions heard by the Court of Federal Claims
 - The plaintiff could also have a takings claim against the Government

Government IP Settlements

Government IP Settlements

- Apptricity settlement
 - Complaint filed at Court of Federal Claims in February 2012
 - Complaint alleged that the Army infringed by copying and installing its software on thousands of servers and devices for which it did not purchase licenses

Government IP Settlements

- Apptricity settlement (Cont.)
 - In 2004 the Army purchased COTS software
 - By 2011 the Army had obtained 5 Server Licenses, 150 Device Licenses, and 1,500 Named-user Licenses
 - However, the Army installed the software in at least 98 servers and 9,063 devices
 - Apptricity sought \$224 million in damages
 - Parties settled for \$50 million

Government IP Settlements

- Honeywell Night Goggle Settlement
 - Honeywell sued the USG in 2002 alleging infringement of its patent for the use of night vision goggles in aircraft.
 - Patent an asset of a company acquired by Honeywell
 - Subject to secrecy order from 1986 to 2000
 - Judge Braden at the COFC award Honeywell 1.89 million for infringement of 3 display systems
 - Honeywell argued that the claims read on hundreds of other systems
 - DoJ agreed to pay Honeywell \$75M for a global settlement
 - Honeywell agreed to grant the Government non-exclusive rights for the goggles in the future

Government IP Settlements

- There are potential opportunities for substantial recoveries for Government infringement
- Are there such opportunities in your patent portfolio?

Questions?

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