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White Paper

Intellectual Property Protection for Software Developed on US Government Contracts

In the United States, when you create something of value, the federal Government protects your ability to benefit from your work by various laws and regulations which are collectively described as "Intellectual Property" or "IP." This is rooted in Article 1 of the US Constitution, wherein our Founders recognized the importance of protection of original speech and works, and which over time has been codified in various laws and regulations. It's a complex topic, but one which you can routinely navigate by understanding some basic principles.

Fundamental is the principle that the "creator" is the owner of the work, with the right to control how the work is used. This is generally done by a "license," which gives certain rights for use – but not ownership – to another party. You can recognize this principle at work all the time for music and movies that you can watch and enjoy – studios create works that they provide to the public under various licenses – some for free, some at a price. The same principles are at play in US Government contracts when a business develops software (the creator) and the Government receives a license to the software that is delivered on that contract.

It is important to understand a little about the legal basis for IP in software. Unlike the purchase of your car for example, where title changes hands between the buyer (for our concern here, the Government) and the seller (your company), software does not change title. In fact, the whole idea of "ownership" in software is different. Instead, the applicable regulations – the Federal Acquisition Regulation (FAR) and the Defense Supplement (DFARS) – describe software transfer in terms of "rights." While the discussion that follows will probably apply to any situation you encounter, there are rare exceptions, so it is important for you to consult with an IP specialist before tackling any IP concerns.

- When the Government pays for software development as a deliverable, the Government receives unlimited and perpetual rights to use the software as it wishes. But so does the creator of that software or data – the creator retains intellectual property rights ("copyright")

to use the software for its own business, to change or improve the software, to share or sell it to other customers, or to make it into a commercial offering. But the creator must claim this right or else it risks being treated as "freeware," which anyone, including your competitors, can use.

- If the creator is a subcontractor to another company, the creator likewise retains IP rights to the work they delivered as a subcontractor, and the Prime does not gain rights to that work just because they are the Prime. But specific contract terms prevail, so it is important to work with your contracts manager to ensure the right language is in the subcontract that supports your business goals.

- It is also important to recognize the interests of your partners and subcontractors who have collaboratively developed the software deliverables. To whatever extent they helped development the software, they have the same rights as the creator retains. And if their tasks are not discrete and severable, then they have rights to use the entire deliverable. This is one reason project managers should carefully decompose development tasks into discrete packages.

Procedures for asserting IP rights for software deliverables

For the vast majority of US Government contracts with software or data development, the Best Practice for asserting IP rights is to use specific language detailed in DFARS 227-72, which defines the different types of rights, and DFARS 252.227-7014, which describes the required markings. The key parts of properly handling software IP are: (1) the creator must properly mark the deliverables and (2) the creator must make notification that the creator is protecting the IP.

The first part – proper marking – is satisfied by including this text with the software deliverable. The following text should be followed exactly, because there have been several recent judicial decisions where contractors that chose to deviate from the prescribed markings lost all of their rights to the improperly-marked data or software.

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LICENSE FOR GOVERNMENT UNLIMITED RIGHTS
Contract No.:  [Insert contract number]
Contractor Name: Developed by [Insert your company name]
Contractor Address: [Insert your address and phone and/or website to be contacted]
The Government's rights to use, modify, reproduce, release, perform, display, or
disclose this software are defined as Rights in Noncommercial Computer Software and
Noncommercial Computer Software Documentation as contained in 17 USC 401-2, FAR 52-
227-14, DFARS 252-227-7014, or as referenced in the above identified contract.  Any
reproduction of the software or portions thereof marked with this legend must also
reproduce these markings.  Copyright 20xx, [Insert your company name].
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In plain English, this marking delivers to the US Government a royalty–free license to use the software with no strings attached. There is no renewal required, it never expires, and cannot be

revoked. The creator maintains a copyright on the software to make future improvements, including commercial versions and contract proposals to other agencies of the Government.

The second part – giving notice - is satisfied by affixing the label to deliverables, including:

- Commenting within the software code itself
- Labeling onto the transmittal /storage media
- Marking onto the software documentation
- Marking onto the deliverable transmittal document

Other Key Points

Like any area of contract law, the devil is in the details, so three other Key Points will keep you straight as you consider your Software and Data Intellectual Property Protection plan.

- These procedures are only used in the case of work funded exclusively by the Government. Software developed in part or in whole with your company funds is treated differently, and can get quite complex. Able Swordplay can provide you the guidelines for these more complex situations.

- While these principles apply broadly, the specific terms of your contract take precedence. Always carefully read at least these three sections of your standard-formatted government solicitation: Section I – Contract Clauses, Section H – Special Contract Requirements, and Section C – Statement of Work. This is where the government will list their expectations for software rights. You will tacitly accept whatever terms are stated there unless you include in your proposal language to preserve your IP rights.

- Lastly, it is important for you to keep records of these deliverables and software licenses, and Best Practice is to retain these records in both the contract files and also in a separate repository just for the purpose of recording IP assertions.

Business professionals in Government contracting should always strive for the mutually supportive goals of fully satisfying the Government's needs and advancing the goals of the business. There are other Best Practices which will help accomplish this and to:

- satisfy the government's right for uncontested use of the software,
- keep your business compliant with law and regulation,
- protect your legitimate rights for work you produce.

Contact Able Swordplay for a more detailed consultation or to help build out your business plans to include this very important and valuable area of your work.

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