July 28, 2003

Mrs. Laurie Duarte
1800 F Street
Attn: Ms. Laurie Duarte
Washington, DC 20405

Re: Proposed Rule: FAR Part 27 Rewrite in Plain Language

Dear Ms. Duarte:

On behalf of the Section of Public Contract Law of the American Bar Association ("the Section"), I am submitting comments on the above-referenced matter. The Section consists of attorneys and associated professionals in private practice, industry, and Government service. The Section's governing Council and substantive committees contain members representing these three segments to ensure that all points of view are considered. In this manner, the Section seeks to improve the process of public contracting for needed supplies, services, and public works.

The Section is authorized to submit comments on acquisition regulations under special authority granted by the American Bar Association's Board of Governors. The views expressed herein have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and, therefore, should not be construed as representing the policy of the American Bar Association.

The Honorable Mary Ellen Coster Williams, Chair of the ABA Section of Public Contract Law, has recused herself on this matter, did not participate in the Section's consideration of these comments, and abstained from voting to approve and send this letter. Similarly, Council Member Daniel I. Gordon recused himself on this matter and did not participate in either the preparation or approval of these comments.

Sincerely,

[Signature]
A. The Proposed Rule

The proposed rule constitutes a proposed rewrite of Part 27 of the FAR, relating to Patents, Data, and Copyrights, as well as the associated clauses in Part 52. The purpose of the rewrite was (a) "to make the various policies and procedures that implement [the] statutes and executive orders [pertaining to patents, data and copyrights] more succinct and understandable to the reader"; (b) to clarify existing policies and procedures "to eliminate confusion among responsible parties and make clearer the distinction between the rights and obligations of the contractor and the Government"; and (c) to make "some substantive changes . . . to reflect changes to the various laws covering the subject matter of Part 27." 68 Fed. Reg. 31790. The proposed rule also makes certain substantive changes to Part 27 and related regulations.

The most significant change proposed is a modification to the scope and treatment of commercial computer software. This change dramatically narrows the definition of commercial computer software, which pursuant to FAR 12.212 must be purchased pursuant to a contractor's standard commercial license. The net result of this change would be that software that would otherwise be commercial under the current rules would not be considered commercial under the proposed rule and therefore subject to the onerous requirements of the FAR Part 27 data rights regime. In a time when the Federal Government is seeking out new entrants to the government marketplace for requirements such as homeland security, this change will discourage prospective contractors from entering the government marketplace and at the same time increase the overall cost of goods and services to the Government.

Below are the Section's comments on the recommended changes as well as other proposed changes not included in the proposed rule.

1. Definition of Commercial Computer Software

The proposed rule would change FAR 2.101 to add a new definition of "commercial computer software":

"Commercial computer software" means any computer program, computer data base, or documentation that has been sold, leased, or licensed to the general public.

68 Fed. Reg. 31792. This is a substantive change, which significantly restricts the scope of FAR 12.212, Computer Software, which has been in place since 1995. FAR 12.212 states in the pertinent part that:
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.

FAR 12.212(a). Thus if a product qualifies as a commercial product, the contractor may use its own commercial license in lieu of the FAR data rights regime. Previously there was no separate definition for “commercial computer software.” Commercial computer software was defined the same way as any other commercial item, using the very broad definition for commercial items in FAR 2.101. This is consistent with the origin of FAR 12.212, which was promulgated as a part of the commercial item rule changes resulting from the Federal Acquisition Streamlining Act (“FASA”), Pub. L. No. 103-355, 108 Stat. 3243 (1994). 60 Fed. Reg. 48206. In fact, the subpart under which Section 12.212 falls is entitled “Special Requirements for the Acquisition of Commercial Items.”

Under the proposed rule, to be deemed commercial computer software, the software or data base would have to be “sold, leased, or licensed to the general public” to qualify. Nevertheless, under the current commercial item definition, a commercial item is:

(1) Any item, other than real property, that is of a type customarily used by the general public or by non-governmental entities for purposes other than governmental purposes, and--

   (i) Has been sold, leased, or licensed to the general public; or

   (ii) Has been offered for sale, lease, or license to the general public;

(2) Any item that evolved from an item described in paragraph (1) of this definition through advances in technology or performance and that is not yet available in the commercial marketplace, but will be available in the commercial marketplace in time to satisfy the delivery requirements under a Government solicitation;

(3) Any item that would satisfy a criterion expressed in paragraphs (1) or (2) of this definition, but for--
(i) Modifications of a type customarily available in the commercial marketplace; or

(ii) Minor modifications of a type not customarily available in the commercial marketplace made to meet Federal Government requirements. Minor modifications means modifications that do not significantly alter the nongovernmental function or essential physical characteristics of an item or component, or change the purpose of a process. Factors to be considered in determining whether a modification is minor include the value and size of the modification and the comparative value and size of the final product. Dollar values and percentages may be used as guideposts, but are not conclusive evidence that a modification is minor;

(4) Any combination of items meeting the requirements of paragraphs (1), (2), (3), or (5) of this definition that are of a type customarily combined and sold in combination to the general public;

... 

(7) Any item, combination of items, or service referred to in paragraphs (1) through (6) of this definition, notwithstanding the fact that the item, combination of items, or service is transferred between or among separate divisions, subsidiaries, or affiliates of a contractor; or

(8) A nondevelopmental item, if the procuring agency determines the item was developed exclusively at private expense and sold in substantial quantities, on a competitive basis, to multiple State and local governments.

FAR 2.101.

This definition is consistent with the statutory definition of commercial items imposed by FASA. Pub. L. 103-355, 108 Stat. 3243, 3384, § 8001(a)(1). In fact, there was discussion in the legislative history regarding a more limited definition for commercial items and that option was expressly rejected. H.R. Rep. 103-712 at 228-29.
Furthermore, FASA contains no exception or limitation of the definition of commercial items for software. Because that commercial item definition is statutorily imposed, the FAR Council has no discretion – it may not use a more limited definition of commercial items for software alone. Moreover, in the proposed rule, the FAR Council has not articulated any rational basis for such a deviation from the existing approach.

From a policy perspective, it makes no sense to narrow the definition of “commercial computer software” as the proposed rule proffers. The commercial item changes under FASA were an attempt to make government procurement of commercial items as similar as possible to private sector commercial item procurement. Thus, when the Government is procuring in the commercial marketplace, it should be treated to the maximum extent practicable, as another commercial customer. See, e.g., § 8002 (restricting the use of FAR contract clause for commercial item acquisitions); § 8104 (requiring agencies to specify their requirements in terms of function and performance specifications to maximize the acquisition of commercial items). This change had the dual benefit of encouraging more commercial vendors to participate in the government marketplace while increasing the percentage of commercial items acquired by the Government under commercial terms and conditions, thereby decreasing the cost to the Government. The proposed changes would turn the clock back and impose the unique and arcane FAR data rights regime on commercial software vendors for commercial items that just happen to be software.

This change also would increase the overall cost to the Government. As history has shown, unique government requirements for goods and services bring about increased costs. Commercial software companies would naturally charge a premium to the Government (or withdraw from the market altogether) if the Government imposes government-unique terms and conditions on transactions that were formerly just another commercial transaction.

We recommend that the proposed definition of commercial computer software (FAR 2.101) be eliminated, or in the alternative it be redefined as:

Computer software that is a commercial item, as that term is defined in FAR 12.212.

2. FAR Part 27 Treatment of Commercial Computer Software

The proposed rule seeks to change FAR 27.405-3 and clause 52.227-19, which currently deal with previously developed, restricted computer software. It now
proposes to impose the government-unique, restricted software requirements on commercial computer software, notwithstanding the guidance of FAR 12.212 to the contrary.

The current version of the FAR includes a class of software defined as "Restricted Computer Software," which it defines as:

computer software developed at private expense and that is a trade secret; is commercial or financial and confidential or privileged; or is published copyrighted computer software, including minor modifications of such computer software.

FAR 27.401. That class of software afforded the Government minimum FAR-type rights when clause 52.227-19 is used in the contract. Those minimum FAR rights are the rights generally available under a commercial software license.

Under the proposed rule, the term commercial computer software is substituted for "restricted computer software" in FAR 27.405-3 and 52.227-19 without any explanation. 27.405-3 also provides:

FAR Subpart 12.212 sets forth the guidance for the acquisition of commercial computer software and states that commercial computer software or commercial computer software documentation shall be acquired under licenses customarily provided to the public to the extent the license is consistent with Federal law and otherwise satisfies the Government’s needs. The clause at 52.227-19 may be used when there is any confusion as to whether the Government’s needs are satisfied or whether a customary commercial license is consistent with Federal law (emphasis added).

The net effect of this revised language is that Contracting Officers, who historically have sought to provide the most “protection” for the Government, will want to add this clause more often than not. This change will have the effect of reversing the current policy of encouraging the use of commercial terms and conditions for the acquisition of commercial items, and instead encourages the use of a standard government licensing clause that is inconsistent with commercial practice and, as a practical matter, makes no sense.

First, the clause provides cookie cutter use restrictions that may not make sense in the context of commercial software. For example the clause restricts use to "the
computer or computers for which [the software] was acquired,” for use “in or with a backup computer,” for archive copies, and for use on “a replacement computer.” These are antiquated concepts. At a minimum, it presupposes a specific architecture, a primary computer or computers with a backup computer, which might not be relevant in today’s computer environment with multiple processors and extensive networking.

Moreover, it is inconsistent with most commercial software licenses, which are usually not acquired for use on a particular computer or computers but targeted for a generic class of computers, such as a particular version of a PC or for use with another piece of software, such as an operating system. Therefore, in commercial practice, software license restrictions are generally based on the number of probable copies that may be made or the number of users. For example, commercial-off-the-shelf software often is purchased commercially on CDs with licenses that do not restrict use to a specific user or computer, but only restrict the number of copies that may be made, namely one. The CD itself serves as the backup.

Second, the revised FAR 52.227-19 clause grants the Government the right to modify, adapt, or combine commercial computer software.

As a threshold matter, the right to modify, adapt, or combine software is generally not included in a standard commercial software license. The Government should not seek to acquire by regulation, rights in commercial computer software that are not generally available to other commercial customers.

Although it can be argued that the software vendor has an opportunity to charge for these additional rights, for the vast majority of procurements, Federal Government licensees have no need to modify, adapt, or combine commercial computer software. As such, it makes no sense for the Government to require vendors to deliver and for the Government to pay for this right in all cases, when it is almost never needed. In the rare circumstance where the Government may want rights to modify, adapt, or combine commercial computer software, it should specifically and expressly negotiate these rights and pay an expressly negotiated and appropriate licensing fee for such additional rights.

From a policy perspective, there is no reason to change the current approach of using a vendor’s standard commercial license, absent some requirement for rights in excess of those generally offered to commercial customers. To the extent a standard government commercial software license is required, that license should track, to the maximum extent practicable, the standard industry practices, absent a compelling reason to the contrary. Here no such rationale has been provided.
We recommend that the current policy in favor of a commercial software vendor’s standard commercial license should not be altered. Nevertheless, if the Government wants to create a standard commercial license to acquire commercial software, the clause should be written consistent with industry standard terms and conditions.

3. **Restricted Rights**

The restricted rights granted pursuant to the FAR are based on old mainframe technology and presume a particular architecture rather than a more conventional licensing scheme. Specifically, these rights are as follows:

Such restricted computer software will not be used or reproduced by the Government, or disclosed outside the Government, except that the computer software may be--

(i) Used or copied for use in or with the computer or computers for which it was acquired, including use at any Government installation to which such computer or computers may be transferred;

(ii) Used or copied for use in or with a backup computer if any computer for which it was acquired becomes inoperative;

(iii) Reproduced for safekeeping (archives) or backup purposes;

(iv) Modified, adapted, or combined with other computer software, provided that the modified, combined, or adapted portions of any derivative software incorporating restricted computer software are made subject to the same restricted rights;

(v) Disclosed to and reproduced for use by support service contractors, subject to the same restriction under which the Government acquired the software;

(vi) Used or copied for use in or transferred to a replacement computer; and

(vii) Used in accordance with paragraphs (d)(3)(i) through (v) of this subsection, without disclosure
prohibitions, if the computer software is copyrighted computer software.


This list of rights is outdated and inconsistent with the Government’s actual needs. It appears that it was developed for software in large mainframe systems, where the software was often tailored to a specific system and user. As a practical matter, this is not how software is used within the Federal Government today.

First, software today is not targeted to a specific computer or computers, as the regulation assumes. Often software is targeted for a type of computer, for example, a PC. In other cases, the software is targeted for use with another piece of software such as an operating system.

Second, most computer systems today have redundant system components but not backup computer systems that one uses when the primary computer system fails. As such, the right to use the software on a backup computer “if any computer for which it was acquired becomes inoperative” is an illusory right. Furthermore, even if there were a backup system, the Government, as a practical matter, would more likely than not simply buy another copy of the software for the backup. Again, this right is inconsistent with the way the Government and industry do business.

Third, most commercial vendors do not provide the right to make archive copies, per se. Often software vendors furnish the software on CDs, and the CD version serves as the archive copy.

Fourth, it is a waste of resources for the Government to purchase in each transaction the right to modify, adapt, or combine commercial or restrictive rights software with other computer software. As noted above, in the majority of cases, the Government does not exercise this right. In most cases, the Government is not acquiring the source code, which is generally necessary to modify, adapt, or combine the software. As such, absent source code, the right that they are acquiring would be of little value. Thus, this right should not be part of the standard clause. If in the odd case, the Government needs this additional right, it should be negotiated on a case-by-case basis.

In sum, for restricted rights software we recommend that the Government’s standard restricted software rights include the right, consistent with current commercial practices, to simply use the copy of the software it purchases, and afford the parties the latitude to determine the scope of that use based on the realities of the particular transaction.
4. Delivery to the Government

Section 27.102(e) provides that contractor must “obtain permission from copyright owners before including copyrighted works, owned by others, in data to be delivered.” The Section recommends that the phrase “to the Government” should be added to the end of this sentence to clarify where the data is to be delivered.

5. Titles

The heading of Subpart 27.2 is “Patent,” yet the heading of subsection 27.201-1 refers to patent and copyright infringement. These two should be reconciled.

6. Timeframe for Responding to Government Challenges to Restrictive Marking

FAR 52.227-14(e) imposes unrealistic response times for responding to challenges of restrictive marking, namely a minimum of 30 days and a maximum of 90 days. Often the requests seek information from older contracts, which were completed years prior to the request. As such, it is rare that an adequate response can be prepared within 30 days. Requests for extensions are almost automatic. Further, in the more difficult cases involving very old data or a great deal of technical data, 90 days is inadequate.

To remedy these problems, the Section recommends that the FAR extend the minimum deadline to 60 days, consistent with 41 U.S.C. § 253d, and leave the maximum deadline to the Contracting Officer’s discretion.

7. Marking of Technical Data

The Section applauds the change to 52.227-14(f) regarding omitted markings. As the clause now reads, a contractor will only be deemed to have granted unlimited rights if the contractor fails to include any restrictive markings. It would be helpful if this change is confirmed in the preamble to the final rule, expressly stating that the contractor’s own restrictive markings will preclude the presumption of unlimited rights.

8. Marking of Technical Data

The current rules for marking data and computer software are quite complex and the ramifications of incorrect or inadvertently omitted marking are severe. A contractor risks losing valuable data rights if documents are inadvertently mismarked. Often the Government will get a windfall from an inadvertent mistake. In this regard, to correct this inequity, the Section recommends:
1. The elimination of the requirement for the contractor to demonstrate that the omission of the notice was inadvertent. See FAR 52.227-14(f)(2)(ii). Often times, there is no way to determine why something did not happen, in essence, proving the negative. Clearly contractors do not intend to incorrectly mark their data in such a manner that they risk waiving their valuable data rights.

2. The elimination of the 6 month time limit on corrective action. This is at best an arbitrary deadline. If there has not yet been a disclosure and a contractor is willing to acknowledge that the Government has no liability, there is no reason not to allow a contractor to correct a missing or erroneous marking. The Government would not be adversely affected, just denied an inequitable windfall.

3. The elimination of the requirement that automatically grants the Government unlimited rights in technical data delivered to the Government without restrictive markings. Instead, the rules should allow the Government to treat such unmarked data as if it has unlimited rights unless and until a contractor discovers the error and notifies the Government. If the contractor promptly corrects the error before any disclosure outside the Government and agrees that the Government has no liability, then the actual status of the data should be restored.

9. Patent Infringement Indemnification by Contractor

The proposed changes artificially expand contractors' indemnification responsibilities. The proposed rule modifies the patent indemnification guidance in FAR 27.102 as follows:

27.102 General guidance.

(c) Generally, the [contractors providing commercial items must should indemnify the] Government should be indemnified against [liability for the] infringement of U.S. patents resulting from performing contracts when the supplies or services acquired under the contracts normally are or have been sold or offered for sale by any supplier to the public in the commercial open market or are the same as such supplies or services with relatively minor modifications.

Thus, in lieu of the "sold or offered for sale" language, the proposed rule includes the defined term "commercial item." The regulation adopts the broad definition of
commercial item when determining the breadth of contractor indemnification. Curiously, however, the proposed definition of commercial computer software artificially limits the scope of the commercial item definition for software. In turn, the latter reduces the instances in which contractors will be entitled to use their standard commercial license; see section 1 above. At best, this is inconsistent.

10. Patent Infringement Indemnification by Contractor

The general guidance of the proposed rule is inconsistent. Section 27.102(c) states that contractors providing commercial items “should” indemnify the Government, while Section 27.201-1(d) states that the Government “may” obtain such indemnification. The Section recommends the use of “may” in both sections to afford the Contracting Officer the maximum discretion.

11. Patent Infringement Indemnification by Contractor

The proposed rule should clarify the limitations on indemnification. The proposed rule’s patent indemnity regulation provides:

27.201-1 General.

(d) The Government may require a contractor to reimburse it for liability for patent infringement arising out of a contract for commercial items by inserting the clause at FAR 52.227-3, Patent Indemnity.

For consistency, the proposed rule should add the exceptions set forth in 27.201-2(c)(1) of the proposed rule to this subsection. Specifically, the following text should be added to the end of 27.201-1(d):

unless--

(i) The simplified acquisition procedures of Part 13 are used;

(ii) Part 12 procedures are used;

(iii) Both complete performance and delivery are outside the United States; or

(iv) The Contracting Officer determines after consultation with legal counsel that omission of the clause would be consistent with commercial practice.
This would minimize the risk that a Contracting Officer will inadvertently miss these exceptions.

12. Definition of “Subject Invention”

Although there has been no substantive change to this definition, the proposed rule may confuse those commercial intellectual property practitioners not well versed in government contracts through the addition of a defined term. Specifically, the definition is modified as follows:

27.301 Definitions

"Subject invention," as used in this subpart, means any invention of the contractor conceived or first actually reduced to practice made (emphasis added) in the performance of work under a Government contract; provided, that in the case of a variety of plant, the date of determination defined in section 41(d) of the Plant Variety Protection Act, 7 U.S.C. 2401(d), must also occur during the period of contract performance.

Thus, the proposed rule subtly adopts the definition of “made” from the statute and FAR 27.301, which, not surprisingly, is defined as "the conception or first actual reduction to practice." This two-tiered definition requires a reader to weave through the regulations twice to piece it together. Moreover, it is not apparent from the definition that “made” is a defined term. This is particularly significant because the proposed definition of "made" is different than what individuals with a commercial patent experience would expect. Specifically, the more generally used patent statute grants inventors the exclusive right to obtain a reasonable royalty from anyone who "makes, uses, offers for sale, or sells" his or her inventions. 35 U.S.C. 154(d)(1)(A)(i) (emphasis added). As such, not only is it unclear; it also can be misleading. We recommend repeating the language “conceived or first actually reduced to practice” throughout the FAR as is currently done and deleting the definition of "made" from FAR Part 27.

13. Definition of “Subject Invention”

The definition of “subject invention” references 7 U.S.C. 2401(d) for the definition of “date of determination.” There is no 7 U.S.C. 2401(d). Congress eliminated that section when it amended the Plant Protection Act in 1994; therefore the statute no longer defines the term “date of determination.” Pub.L. No. 103-34a, § 2 108 stat. 3136. Thus the phrase “date of determination,” although still cited in the
Bayh-Dole Act, no longer has any meaning and should be deleted from or defined in the FAR.

14. The Definition of “Data Base” and “Computer Software”

The proposed rule proposes to modify the definition of “computer software” in 27.401 to expressly exclude data bases. Because many computer programs are made up largely of data bases and many more use data bases in their operation, there is no logical basis for making a distinction between computer software and data bases with regard to data.

As such, the Section recommends the modification of the definition of “computer data base” and “computer software” as follows:

“Computer data base” means a collection of data in a form capable of, and for the purpose of, being stored in, processed, and operated on by a computer.

"Computer software," means-- (1) computer programs that comprise a series of instructions, rules, routines, or statements, regardless of the media in which recorded, that allow or cause a computer to perform a specific operation or series of operations; and (2) recorded information comprising source code listings, design details, algorithms, processes, flow charts, formulas, and related material that would enable the computer program to be produced, created, or compiled. The term includes computer data bases but does not include computer software documentation.

15. The Definition of “Computer Software Documentation”

The proposed rule defines “computer data base” and “computer software” but does not include a definition of “computer software documentation.” The Section proposes the addition of the following definition:

“Computer software documentation” means recorded information regarding computer software or computer data bases, regardless of the form or the media on which it may be recorded, that is not computer software or computer data base.
16. Patent Policy

Section 27.302(a)(3). The Bayh-Dole Act was modified in 2000 to broaden the policy stated in subsection 27.302(a)(3) by adding “without unduly encumbering future research and discovery; . . .” 35 U.S.C. § 200. This phrase is missing from this section and therefore should be added. It should be added to section 27.304-1(c)(2) and the definitions in the patent rights clauses as well.

17. Assignment of Government Co-inventor Rights

Subsection 27.304-1(e) authorizes an agency to assign the rights to an invention of a government employee co-inventor to a contractor. Nonetheless, in the past, some agencies wanted authority in addition to 27.304-1(e) prior to authorizing the assignment government employee-co-inventor rights to a contractor. To address this concern, the following sentence should be added to this subsection: “The assignment of these rights is permitted without advance publication or other requirements of 37 CFR 404.” This is because agencies generally rely on 37 CFR 404 for this additional authority. See, e.g., 67 Fed. Reg. 2656 –2657 (January 18, 2002, Notice of intent to assign an invention, wherein the Environmental Protection Agency states that it is relying on 37 CFR 404 to assign its co-ownership of an invention to a contractor under 35 USC 202(e)).

18. FAR 27.304-1(h)

Subsection 27.304-1(h) merely repeats the requirements of the 52.227-11 Patent Rights clause. It should either be amended to provide some addition guidance not included in the clause or deleted as redundant.

19. Contractor's Minimum Rights

There is an ambiguity in subsection 27.302(i), which sets forth the minimum rights of a contractor in subject inventions where the Government has title in such inventions. In particular, subsection 27.302(i)(1) includes the following sentence:

The Contracting Officer shall approve any transfer of the contractor's licenses except when the transfer is to the successor of that part of the contractor's business to which the subject invention pertains.

It is not clear whether this sentence directs the Contracting Officer to reject the license transfers when the transfer involves a successor to a part of the contractor's business or
that in such a case no approval is needed. The sentence should be clarified to correct this ambiguity.

20. Subcontract

Subsection 27.303 and the various provisions in the contract clauses regarding subcontracts should be expanded to provide more guidance to the prime contractor. For example, because the Bayh-Dole Act applies to both prime contracts and subcontracts, the prime contractor must place the appropriate patent rights clause in its subcontracts. If the patent rights clause of 52.227-13 is used in a prime contract, certain subcontracts should contain the 52.227-11 patent rights clause and not the clause in the prime contract. Nevertheless, paragraph (h)(1) of the patent rights clause of 52.227-13 states that “[T]he Contractor shall include this clause (suitably modified to identify the parties) in all subcontracts, regardless of tier, for experimental, developmental, or research work.” There is no guidance in the FAR or in the patent rights clause on when to use the 52.227-11 clause in subcontracts; it would be helpful to the prime if Subsection 27.304-4, 52.227-11, or both would provide such guidance.

In addition, prime contractors misread the “suitably modified” language and change all references to the “Government” to read “contractor” and all references to “contractor” to read “subcontractor,” which of course is incorrect. The Section recommends that, instead of the “suitably modified” direction, the regulation should clarify that the clause need not be changed for the subcontract, but the term “contractor” should be read as “subcontractor” if the patent rights clause is used in a subcontract.

21. Confidentiality of Inventions

The modifications eliminate some language from the confidentiality provision that would be helpful to the Contracting Officer in making a disclosure decision. The Section recommends that this deleted language be restored. The proposed rule makes the following changes to 27.302:

27.302 Policy

(j) Confidentiality of inventions. [Publishing] The publication of information concerning an invention by any party before the filing of a patent application [is filed on a subject invention] may create a bar to a valid patent. Accordingly, 35 U.S.C. 205 and 37 CFR Part 40 provide that Federal agencies are authorized to withhold from disclosure to the public information disclosing [To avoid this bar, agencies may
withhold information from the public that discloses] any invention in which the Federal Government owns or may own a right, title, or interest (including a nonexclusive license) (see 35 U.S.C. 205 and 37 CFR part 401). Agencies may only withhold information concerning inventions] for a reasonable time in order for a patent application to be filed. [Once filed in any patent office, agencies are not required to release copies of any document that is a part of a patent application for those subject inventions.] Furthermore, Federal agencies shall not be required to release copies of any document which is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent office. The Presidential Memorandum on Government Patent Policy specifies that agencies should protect the confidentiality of invention disclosures and patent applications required in performance or in consequence of awards to the extent permitted by 35 U.S.C. 205 or other applicable laws.

The language that was struck at the end is accurate and gives positive direction and supporting authority to the Contracting Officer; it therefore should be retained. Thus, the Section recommends the addition of the following language at the end of the proposed 27.302(j):

Furthermore, Federal agencies shall not be required to release copies of any document that is part of an application for patent filed with the United States Patent and Trademark Office or with any foreign patent or trademark office. The Presidential Memorandum on Government Patent Policy specifies that agencies should protect the confidentiality of invention disclosures and patent applications required in performance or in consequence of awards to the extent permitted by 35 U.S.C. 205 or other applicable laws.

22. **Confidentiality of Inventions**

FAR 27.303 should be amended to clarify that there are limitations on the Contracting Officer’s disclosure requirements. FAR 27.303(b)(2)(iii) as proposed, is as follows:
Provide the filing date, serial number, title, patent number, and issue date for any patent application filed on any subject invention in any country or, upon request, copies of any patent application so identified.

A reference to 27.302(j) (above) should be added so that when the Contracting Officer reads 27.303(b)(2)(iii), he or she is reminded that agencies should protect the contractor's patent applications from disclosure once they are submitted to the Government. So the clause would now read:

Provide the filing date, serial number, title, patent number, and issue date for any patent application filed on any subject invention in any country or, upon request, copies of any patent application so identified, provided however, that these disclosures are subject to the limitations of 27.302(j).

23. Noncommercial Items

Section 27.201-2(c)(2)(ii) uses the undefined term “noncommercial item.” The Section suggests the following revised language

The contract also requires delivery of items that are not commercial items as defined in FAR 2.101.

24. Delivery to the Government

The FAR should adopt as a basic principle that the Government’s rights in technical data and copyrights will only apply to the data required to be delivered under the contract. This change is consistent with 41 U.S.C. 418a, which states that:

[the U.S.] shall have unlimited rights in technical data developed exclusively with Federal funds if delivery of such data (A) was required as an element of performance under the contract and (B) is needed to ensure the competitive acquisition of supplies or services that will be required in substantial quantities in the future (emphasis added).

This would be of great value to contractors because they would only need to be concerned about rights in the data called for delivery in the contract and not all the other data, that may be used or generated during the performance of the contract.
25. **Consistency with the DFARS**

An effort should be made to make the FAR regulations regarding patents, data, and copyrights as consistent as practicable with the DFARS. This would allow a contractor, to the maximum extent practicable, to have a single policy in dealing with government patent and data rights. For example, for technical data and computer software, the Government acquires unlimited rights if the data or software was developed in the performance of a government contract. By contrast, under the DFARS the Government acquires unlimited rights if the data was developed exclusively at Government expense. The latter rule provides the clearer demarcation, is more consistent with 41 U.S.C. § 418a, and thus should be adopted by the FAR.

26. **Consistency with Statutory Authority**

We recommend that the FAR Council take a closer look at whether the FAR patent, data, and copyright regulations are properly implementing their underlying statutes, 41 USC § 418a (Rights in technical data) and 41 USC § 253d (Validation). For example, 41 U.S.C. § 418a provides for unlimited rights determination based on whether: (1) the technical data was developed exclusively with federal funds; (2) delivery of the data is required by the contract; and (3) the data rights are needed “to ensure the competitive acquisition of supplies or services that will be required in substantial quantities in the future.” *Id.* § 418a(b)(1). It also provides for government purpose rights for mixed funding. *Id.* § 418a(b)(2). By contrast, the proposed FAR rule (as well as the current FAR) provides for unlimited rights in data “first produced in the performance of a [government] contract.” FAR 27.404-1.

Similarly, 41 U.S.C. § 253d requires a data rights validation procedure different from that set forth in the FAR. For example, 41 U.S.C. § 253d(b) gives contractors 60 days (and additional time as the Contracting Officer sees fit) to respond to a challenge. The proposed rule (and the current FAR) require a response within 30 days with a limit of 90 days. FAR 27.404-5(a)(2).

The FAR Council should review the consistency of the overall data rights regulation in Part 27 in light of the requirements of underlying statutes.

The Section appreciates the opportunity to provide these comments and is available to provide additional information or assistance as you may require.
General Services Administration
FAR Secretariat (MVA)
July 28, 2003
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Sincerely,

[Signature]

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