USGIF Legal Working Group

Commercial Item Contracting: Intellectual Property

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March 16, 2017
Introduction

- Discussion Regarding IP (data rights, inventions)
- Focused on FAR Part 27 provisions (non-commercial item)
- Overview of FAR Part 12
  - Refresher
  - Recognize evolution – step back
- FAR Part 12 establishes acquisition policies to encourage the acquisition of commercial items
- Used with other parts of the FAR
  - Inconsistencies in favor with FAR Part 12
Definition – Commercial Item – Far 2.101

- Item of a Type Customarily Used By General Public or by non-Governmental Entities For Non-Governmental Purposes
  - Sold, leased or licensed to general public
  - Offered for sale, lease, or license to general public

- Item Evolved Through Technological or Performance Advances
  - Not yet in commercial marketplace
  - Will be in commercial marketplace in time for delivery

- Modified Commercial Item
  - Modifications of type in commercial marketplace
  - Minor modifications needed to meet government requirements
    - Do not significantly alter non-governmental function, essential physical characteristics or change purpose or a process
    - Value and size of modification may be considered
Definition – Commercial Item – FAR 2.101

- Installation, Maintenance, Repair, Training, and Other Services
  - Procured for Support of Commercial Products
    • Need not be same source as products or at same time
  - Offer Services to Government and Public Contemporaneously Under Similar Terms and Conditions
  - Allows Government to procure products and later support from same vendor
Definition – Commercial Item – FAR 2.101

Services of a Type Offered and Sold in Commercial Marketplace

- Competitively
- Substantial Quantities
- Established Catalog or Market Prices for Specific Tasks
- Catalog includes price list, schedule, or other form regularly maintained, available to public, and prices used for significant number of general public customers
- Market Prices – ordinary course of trade verified through competition or sources independent of offeror

- Standard Terms and Conditions
- No Hourly Rate Services Without Price for Specific Service Performed
Definition – Commercial Item – FAR 2.101

- Combination of Items and Installation Services Sold to Public
  - Permits Government to buy bundled items and services

- Any Non-Developmental Item
  - Developed Exclusively At Private Expense
  - Sold in Substantial Quantities On a Competitive Basis
  - To Multiple State and Local Governments
FAR Part 12 – Acquisition of Commercial Items

- FAR 12.101 – ”Shall”
- Conduct market research to determine if Commercial Items/NDIs are available
- Acquire Commercial Items/NDIs when available
- Require, to maximum extent practicable, prime contractors and subcontractors to incorporate Commercial Items/NDIs as components

- FAR 12.102 – Applies to Acquisition of:
  - Commercial Items
    - Part 12 takes precedence over other inconsistent FAR Sections
  - CGI -
FAR 12 – Technical Data

- FAR 12.211
- Only Data Customarily Provided to Public
- Presumption Data Developed at Private Expense
- “Appropriate Provisions” for Rights and Delivery of Data – FAR Part 27
- DoD Handbook: Intellectual Property
FAR 12 – Computer Software

FAR 12.212

Commercial Computer Software and Documentation
- Commercial Licenses
- Contractors are Generally Not Required
  • Non-Public Information
  • Right to Use or Release Without Agreement
- Only Rights as Stated in License – Addendum to Contract
FAR 12 – Contract Format

- SF 1449
- Continuation Sheet Contract Clauses
  - 52.212-4, Contract Terms and Conditions
  - Addendum to 52.212-4
  - 52.212-5, Statutes and Executive Orders
Contracting Officer Shall Insert:
- Customary Commercial Practices
- Not required to use any other clause
- May tailor, except assignments; disputes; payment; invoice; other compliances; and compliance with laws

**CGI Federal, Inc. v. United States, 779 F.3d 1346 (2015)**
- FAR Part 12 must be used for acquisition of commercial items
- Terms “inconsistent with customary commercial practice” are prohibited
FAR 52.212-4 – Contract Terms And Conditions

- (a) – Inspection/Acceptance
- (b) – Assignment
- (c) – Changes
- (d) – Disputes
- (e) – Definitions
- (f) – Excusable delays
- (g) – Invoice
- (h) – Patent indemnity
- (i) – Payment

- (j) – Risk of Loss
- (k) – Taxes
- (l) – Termination for Convenience
- (m) – Termination for Cause
- (n) – Title
- (o) – Warranty
- (p) – Limitation of Liability
- (q) – Other Compliances
(r) – Unique government laws

- Byrd Amendment – 13 USC 1352
- Officials not to benefit – 18 USC 431
- Contract Work Hours and Safety Standards Act – 40 USC 327 et seq.
- Anti-Kickback Act – 41 USC 51-58
- Whistleblower Protections – 41 USC 265 – 10 USC 2409
- Fly American – 49 USC 40118
- Procurement Integrity – 41 USC 423
FAR 52.212-4 – Contract Terms And Conditions

- **(s) – Order of Precedence**
  - Schedule of supplies/services
  - Assignment, Disputes, Payments, Invoice, Other Compliances, and Unique Government Laws
  - 52.212-5, Statutes
  - Addenda, including software licenses
  - Solicitation provisions
  - Other paragraphs of 52.212-4
  - SF1449
  - Other documents
  - Specification

- **(t) – Central Contractor Registration (CCR)**
  - [http://www.ccr.gov](http://www.ccr.gov)
Addendum to 52.212-4

- Incorporate EULA
  - License Rights in Data and Software
  - Warranty
  - Limitation of Liability
  - Infringement
  - Force Majeure

- GSA’s Class Deviation “Fail List” and Proposed Rule
  - Identifies commercial clauses in Commercial Supplier Agreements (including EULAs) that are unenforceable under GSA contracts
  - Change to order of precedence