

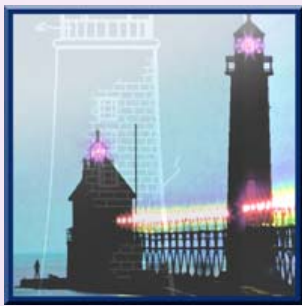


*Corporate IP Roundtable*

# IP Issues with Government Funding

Bharat C. Gandhi  
Dow Global Technologies Inc.

Tony Bacon  
Whirlpool Patents Company



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# Invention & Data Protection

- Initial Considerations – Which Rules Apply?
  - Gov. Department (e.g. DOE, DOD, NASA)
  - Type of Agreement
    - Contract, Grant, Cooperative Agreement
  - Type of Organization
    - For-Profit
    - State and Local Government
    - Nonprofits and Institutions of Higher Learning



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# IP Protection – Grant Process

- Grant Process Basics (DOE ex.)
  - Funding Opportunity Announcement
  - Submit Proposal
  - Receive Opportunity to Negotiate an Award
- Protect Your Grant Proposal
  - Can be a Publication via FOIA
  - DuPont v. Cetus (bar to patentability)



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# IP Protection – Grant Process

- Protect Your Grant Proposal
  - FOIA Exemptions
    - “Trade secrets and commercial or financial information obtained from a person that is privileged or confidential.”
  - Legend on first page and each page with FOIA exempted material



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# DOE - Whirlpool Example

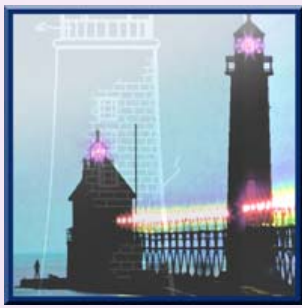
- DOE FOA-58
  - Smart Grid Investment Grant Program
  - 50/50 Cost Share Grant
  - Whirlpool Output: Smart-Grid Enabled Appliances
- Currently Waiting Our Turn to Negotiate



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# DOE - Whirlpool Example

- Initially an R&D Grant
  - Patent Starting Point (For-Profit Entities)
    - Gov. gets rights to inventions conceived or first actually reduced to practice during the course of the grant
    - Recipient receives nonexclusive, revocable, royalty-free license. Transferable only with permission from the DOE.
- First Actually Reduced to Practice
  - *Pilley v. United States* (one element – GPS Based Airport, Navigation, and Control System)



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# DOE - Whirlpool Example

- Patent Negotiating Options
  - Class Patent Waiver
    - Similar to Bayh-Dole Act (35 U.S.C 202)
    - Recipients Generally Retain Title, Gov. Receives Limited License.
      - Must Follow Process or Lose Rights
        - » Disclosure – 2 Months
        - » Election and Filing
        - » Periodic Reporting
    - U.S. Manufacture: Products Embodying the Invention Must Be Manufactured “Substantially in the U.S.”
    - March-in Rights



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# DOE - Whirlpool Example

- Patent Negotiating Options
  - Individual Patent Waiver
    - Can be on a Per Invention Basis
    - Negotiate With DOE Patent Counsel
    - List of Factors
      - Cost Sharing
      - Importance of Recipient to Grant Program
      - Etc.



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# DOE - Whirlpool Example

- Changed to a Non R&D Grant
  - No Patents Right Provision
    - Through FAQ Answer and DOE IP Counsel Email:  
the Gov. Gets No Rights in any Inventions  
Associated with SGIG Grants
- DOE IP Sample Provisions
  - [www.gc.energy.gov/financial\\_assistance\\_awards.htm](http://www.gc.energy.gov/financial_assistance_awards.htm)



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# DOE - Whirlpool Example

- Data
  - Gov. Gets at Least Limited Rights to Data First Produced in the Performance of the Grant
  - Depends on Type of Grant and Whether a Special Data Statute Applies
  - Negotiation Options
    - Limit Data Delivered Under the Grant
    - DOE FOIA Protection for “commercially valuable data”
    - Protected Rights Data: Five year protection



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# DOE - Whirlpool Example

- Flow Down Provisions
  - Sub-Recipient
    - IP Rights Affected
    - Reporting and Compliance Obligations
  - Vendor
    - IP Rights Not Affected
    - Contract Must Contain Certain Government Compliance Provisions



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# DOE Announcement

- DOE Opportunity: DE-FOA-0000026
  - Recovery Act (ARRA 2009)
  - Electric Drive Vehicle Battery and Component Manufacturing Initiative
  - Award Type: Grant + Cost Share (50/50)
- Dow Involvement
  - Dow Kokam LLC
  - Li-Ion Battery Manufacturing



# DOE Announcement

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- Purpose: Grants supporting construction of U.S. based mfg. plants to produce Li-ion and other advanced batteries for electric drive vehicles (EV) and micro-hybrids
- Our Area of Interest: Cell & Battery Mfg Facilities
  - “The end product must be a facility producing fully functional advanced batteries or cells that can be incorporated into a fully functional advanced battery”
  - “The developed batteries should utilize state of the art, domestically produced, materials and other components to the greatest possible extent. Battery developers may test and optimize materials and components from various domestic suppliers for their system. Developers should also plan to provide feedback to those suppliers to enable them to improve their products.”
- Initially designated IP Provisions per NRD-1003



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# DOE Agreement

- IP Provisions adopted form used in R&D Grants in place of Non-R&D provisions (mistake?)
- Reporting Requirements per DOE Form 4600.2
  - Scientific/Technical Reports
  - Supplemental Reports
  - Need to provide confidential technical data?
  - “Protected Data”?
- But, no Class Patent Waiver defined



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# DOE IP Provision

- NRD-1003 (std. for non-R&D projects)
  - Recipient can claim/keep all data as trade secrets (incl. commercial info) in perpetuity
  - If publish data, can claim copyright, subject to non-exclusive license to DOE
  - Since non-R&D, no specific provision for patents
  - No protection for technical data disclosed.



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# DOE IP Provisions

- GDLB-1003 (std. for R&D projects)
  - “Protected data” statute - 5 yrs as trade secret
  - Gov’t can disclose “protected data” to team members during Program, subject to 5-yr exclusion from use
  - Inventions expected, patent protection offered subject to disclosure and assignment to the Government, with non-exclusive rights to the Recipient
  - Class Patent Waiver, subject to approval, provides Recipient with exclusive license subject to non-excl. license to Gov’t for gov’t purposes, march-in rights, pref. for U.S. industry, and limits on license to others



# What Happened

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- During the award process, several Recipient companies raised concerns with the DOE proposed agreement text in view of FOA
- Recipients wanted to understand which IP Terms would apply NRD-1003 (per FOA) or GDLB-1003 (per agreement draft)
- Companies further concerned that inventions possible and wanted clarification on rights to patent and exclusivity
  - Patent Waivers
  - “Protected data” provisions
- DOE Response
  - Initially offered a hybrid,
  - Then offered election to either NRD-1003 or GDLB-1003,
  - Ultimately settled on GDLB-1003 (that includes “protected data” provisions) and agreed to submit Class Patent Waiver for approval
- Final Agreement
  - Still had issues and discrepancies
  - Individually negotiated final terms



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# What Happened

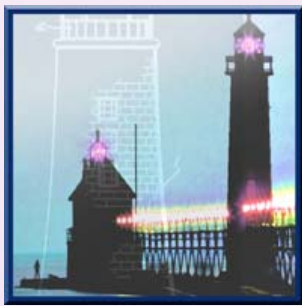
- Final Agreement
  - Changed IP Provisions
    - NRD-1003 to GDLB-1003
  - Obtained Class Patent Waiver
  - Changed definition of “other inventions”:
    - In 02. FAR 52.227-12 Patent Rights – Waiver (JUL 1996), as modified by 10 C.F.R.784, DOE Patent Waiver Regulations,
      - “(k) Background Patents [reserved]”
      - “(m) Other inventions. Nothing contained in this clause shall be deemed to grant to the Government any rights with respect to any invention other than a subject invention, *[except with respect to Background Patents, above]*.
    - Agreed with DOE to delete since (k) was undefined.



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# What Happened

- Final Agreement (con't)
  - Additional Protection for Proposal Data
    - In addition to specific pages, able to exclude an appendix (containing financial data)



# Conclusions

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- Determine IP Needs for your company
- Investigate flexibility of Gov't agency to negotiate on IP provisions that will apply notwithstanding statement in FOA
- Negotiate terms of Gov't contract and confirm agreed changes made (once accepted, difficult to change)
- Be persistent
- If technology yet to be commercialized
  - Consider value of seeking GDLB-1003 Provisions
    - “Protected Data”
    - Patent Protection
    - Potential for Class Patent Waiver or Advance Patent Waiver
- If technology commercial
  - Consider value of NRD-1003 Provisions
  - But:
    - Remove/limit confidential information included in technical reports
    - Segregate work between dev. and mfg. and use of gov't funds